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SFPUC
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HETCH HETCHY WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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AGENDA

REGULAR MEETING

January 13, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

For information, contact the Commission Secretary at 554-3165.
Agenda and other information are available on the SFPUC web site: www.sfwater.org.

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Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance
(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Approval of Minutes

4. Communications

5. Old/Ongoing Business by Commissioners

6. Introduction of New Business by Commissioners

   a) Inquiry into December 20, 2003 PG&E Power Failure

7. Report of the General Manager

   a) San Francisco Reservoir Report (Davis)

   b) Contract Advertisements Report (Martel)

8. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

a) Staff Recommendation: Accept work performed on Contract No. CW-290, Howard Street Outfall Butterfly Gate Valve Replacement, for a total contract amount of $139,598.00 and authorize final payment in the amount of $13,959.80 to Power Engineering Contractors, Inc.

b) Staff Recommendation: Ratify the Declaration of Emergency made by the General Manager of Public Utilities, dated December 29, 2003 and approved by the President of the Commission.

REGULAR BUSINESS

CONSTRUCTION CONTRACTS

Amend

10. Discussion and possible action related to Contract No. WP-23. (Larramendy)

Staff Recommendation: Approve Modification No. 1 to Contract No. WP-23 O'Shaughnessy Camp Domestic Water System Improvements, increasing the duration by 109 consecutive calendar days for a total contract duration of 229 consecutive calendar days.

PROFESSIONAL SERVICE CONTRACTS

Advertise

11. Discussion and possible action related to PS-101. (Kehoe)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise and request proposals for PS-101, Bottled Water Services, receive proposals for said professional services agreements, conduct a selection process to identify the best qualified firms to provide/assist bottled water services, and return to the Commission for award and authorization to negotiate professional services agreements.

Award

12. Discussion and possible action related to Agreement No. CS-729. (Berry)

Staff Recommendation: Award Montague DeRose & Associates, LLC for Pool-1 and Kitahata & Company for Pool-2 to provide financial advisory services for the San Francisco Public Utilities Commission under Agreement No. CS-729, Financial Advisory Services, and authorize the General Manager of Public Utilities to execute financial advisory agreements with the above-named firms. Aggregate financial advisory fees under the agreements will not exceed $250,000, respectively.

Amend

13. Discussion and possible action related to Amendment No. 2 to Agreement No. CS-672C. (Carlin)

Staff Recommendation: Authorize the General Manager of Public Utilities to negotiate and execute Amendment No. 2 to Agreement No. CS-672 C, the "Lake Merced Raised Water Level Assessment" dated August 2002 with EDAW/Talavera & Richardson (EDAW). Amendment No. 2 will provide for a time-extension of eight months and for a Seventy Thousand and 00/100 Dollar ($70,000) increase in the contract amount.

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.

15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

    Existing Litigation: Barbara Dennes vs. CCSF; Claim No. 02-03449

17. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

    Existing Litigation: 21st Century Insurance, Claim No. 03-02697

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

18. Announcement following Closed Session.

19. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT

Gavin Newsom
MAYOR

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MINUTES

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- City Distribution Division
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- Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:31 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks

3. Approval of Minutes

   There were no minutes to approve.

4. Communications

   Commissioner Caen asked staff to comment on a letter from Ms. Jenna Olsen of the Tuolumne River Trust, asking why San Joaquin Pipeline #4 was not included in the Capital Improvement Program (CIP).

   Mr. Michael Carlin, Director of Strategic & Systems Planning Bureau, stated Ms. Olsen's letter referred to Assembly Bill (AB) 1823. Mr. Carlin informed the Commission that AB 1823 designates nine CIP projects to be "critical projects" (the Alameda Siphons was incorporated into the Irvington Tunnel Project, effectively reducing the number of critical projects to eight). AB 1823 highlighted these projects to serve as benchmarks to be used in the SFPUC's annual report to the State. AB 1823 requires that the SFPUC have a significant portion of the CIP in construction within a 10-year period after bill passage, and that the SFPUC report annually to various state agencies on the progress of the CIP. Mr. Carlin pointed out that AB 1823 did not consider the entire CIP, and that the intent of the legislation was not to designate any specific project in the CIP as being "non-critical". Mr. Carlin said he believed that a prior presentation by staff to the Commission had touched upon the absence of the San Joaquin Pipeline #4 from AB 1823's critical projects list.

5. Old/Ongoing Business by Commissioners

   President Normandy asked if progress had been made in the matter of eucalyptus trees on the border between San Francisco and the City of Burlingame.

   Ms. Patricia E. Martel, General Manager of Public Utilities, reported that in November, she attended a Burlingame City Council pubic hearing on the removal of eucalyptus trees from SFPUC-owned property in Burlingame. In response to input from the hearing, Ms. Martel agreed to study alternatives proposed by the residents to scale back or modify the proposed tree removal. Ms. Martel indicated the SFPUC would move forward with the Peninsula Watershed Management Plan, which does not include the removal of any hazardous materials or vegetation on

SFPUC property. Ms. Martel indicated she told the council she would consider the possibility of another agency, foundation, or trust taking over the property and maintaining it with the eucalyptus trees, on condition that the property be regularly maintained. Ms. Martel informed the council nothing would happen until late Fall 2004, and that in the interim, the SFPUC would investigate alternatives, hold a community meeting responding to the alternatives, and then proceed with the development of an appropriate plan based on input from the meeting.

President Normandy requested that staff convey this information to any public inquiries on the matter.

President Normandy commended staff on the Chloramine Conversion Program materials and stated he was looking forward to the conversion, scheduled to take place in February.

President Normandy requested staff address issues raised in a letter received from Mr. John Plummer regarding Lake Merced. Ms. Martel agreed to this and stated she would copy the Commission on the response.

President Normandy reminded staff that the Commission had requested some time ago that a Commission meeting be scheduled at the Southeast Community Facility sometime in 2004. President Normandy stated he was aware of staff's desire to time this meeting with outreach on the Clean Water Master Plan (CWMP). Ms. Martel discussed the possibility of scheduling one of the Commission budget meetings at the Southeast Community Facility. Commissioner Caen stated this would be unwise because staff often needed reference materials at 1155 Market Street during the budget hearings. President Normandy agreed, but wanted a Commission meeting scheduled in the near future. President Normandy stated the physical presence of the Commission in the community would reassure the residents of their high priority to the Commission, and of the Commission's availability to the community during the CWMP process. Ms. Martel said she would try to identify an appropriate date that coincided with either some issue related to the CWMP, or to some other issue pertinent to the community.

6. Introduction of New Business by Commissioners

Public Comment:

Supervisor Bevan Dufty, Board of Supervisors (BOS), thanked the Commissioners for their dedication and time and stated he would try to be supportive as a Supervisor. He continued that he had come today about undergrounding on Dolores Street. He stated that PG&E had moved forward so slowly with this project that neighbors realized, in the meantime, that lighting which was more aesthetically pleasing could be installed rather than the standards accepted five years ago.

President Normandy told Supervisor Dufty the SFPUC appreciated the historical value of the area and was looking for solutions.

Mr. Charlie Spiegel, a San Francisco resident, thanked the Commission, Supervisor Dufty and the Department of Public Works. Mr. Spiegel stated that the program had undergrounded all the streetlights above Dolores Street, replacing the streetlights with historic fixtures down the thoroughfare. In Fall 2003, the neighborhood received the first notification that "cobra lights" would be installed down the middle of Dolores Street. The neighborhood worked with the BOS and four better alternatives were offered.

President Normandy requested staff to continue working with Supervisor Dufty, the California Public Utilities Commission (CPUC) and PG&E to seek solutions.

Mr. Donald Stroh, a board member of the Dolores Heights Improvement Club (DHIC), stated the neighborhood had been in the process of undergrounding utility lines and this was carried out with neighborhood design input. Regarding aesthetics and energy efficiency, he said the neighborhood had not been solicited for input and felt that technical details should be available to them.

Commissioner Brooks requested staff create a detailed report on all SFPUC-owned real estate, highlighting any surplus real estate. Commissioner Brooks said he wanted to be sure the SFPUC was using all its property to the best extent possible.

President Normandy informed Commissioner Brooks the Commission had postponed further discussion on surplus property due to outstanding questions about what properties might be needed for CIP staging purposes. President Normandy stated that the Commission might not be able to designate any properties surplus in the coming 12-24 months, but that staff could provide him a list of the properties in question.

Ms. Martel added that when the Commission reviewed the water system vulnerability study, it directed that revenue from the sale of surplus property should be used to fund security improvements identified in the vulnerability assessment. Ms. Martel stated the SFPUC had upwards of $20 million of necessary security enhancements that could not be funded with normal operating revenue. She stated staff was looking at all surplus sites with the purpose of fulfilling the Commission's direction to fund security projects.

Commissioner Brooks requested a list of surplus property and a list of all SFPUC property. He also asked staff to follow up on a previous request for a presentation in Closed Session on security matters. Ms. Martel stated staff was planning a presentation for Closed Session at a future date.

Commissioner Werbach stated he had heard that in the Spring of 2003, there was a significant quantity of dicyclohexane [sic] found in the City's potable water system. *He requested staff to investigate and report back to the Commission and address specifically if there was a risk to public health and if the incident was reported.* Ms. Martel stated she was not aware of the incident, but would provide a report on the topic to the Commission immediately.

President Normandy stated the Commission was aware of some potential problems in staff use of City vehicles. He asked the General Manager to verify if staff use of City vehicles was in full compliance with City rules, that vehicles were identified as City vehicles, that they were not used for private purposes, and that visibility into vehicles was not impaired in a way as to conceal drivers or passengers. President Normandy also stated he had been approached by officials within the City about the possibility of a shared interdepartmental motor pool. While President Normandy stressed the importance of investigating suggestions that might result in better resource management, he cautioned the SFPUC against entering into an agreement detrimental to its operations.

Ms. Martel responded that staff would investigate any opportunities for cost-effectiveness and efficiency; however, as an enterprise department the SFPUC operated differently than general fund departments. She stated the SFPUC could not assume funding responsibility for any general fund departments. President Normandy stated that, nonetheless, the SFPUC should be responsive to suggestions.

Commissioner Brooks stated he had a great deal of experience with fleet management from his former role as Director of Administrative Services for the City. *Commissioner Brooks requested the General Manager provide the Commission with a list of individuals who have security needs for vehicles and that those vehicles be excluded from having tags and identification.*

President Normandy stated the City Administrator's Office was coming out with a policy on cell phones. He stated that in past discussions, the Commission had favored a policy insuring safe cell phone use, specifically, that staff pull to the side of the road whenever using a cell phone in a vehicle. *President Normandy requested that staff revisit that policy in consultation with the City Administrator.*

Ms. Martel stated that staff, using cell phones in the field, was required to have hands-free systems installed in their vehicles. She stated, based on previous direction from the Commission, she had been investigating both the use of cell phones for personal and private business, as well as the broader issue of who should receive cellular phones and other kinds of communication equipment. Ms. Martel stated that as an agency of 2000 employees, with many employees outside the City and in the field, raised the concern that the communications program was not being managed in a cost-effective and efficient manner. Ms. Martel said that staff was able to access cellular phones and other communications equipment

simply by requesting it and signing an agreement form to use it in the proper way. She stated her investigations over the last several months resulted in requesting a Communications Coordinator position, much like the Fleet Manager position, in the budget. She stated the position would oversee the communications equipment needed, particularly for up-country staff, make budget recommendations and authorize the acquisition, distribution and control of equipment. President Normandy thanked Ms. Martel for her initiative, stating it would reassure the public of the SFPUC's commitment to prudent management.

President Normandy asked the Commissioners if they had any questions or comments on the calendar for budget hearings.

Ms. Martel stated, in the past, Bay Area Water Supply & Conservation Agency (BAWSCA) requested advance receipt of the budget to have sufficient time for review, as well as the status of proposals both in the current budget and from past budgets. In response to this request, staff would deliver the proposed budget summary forms to BAWSCA on January 16 to have sufficient time to formulate questions or comments for the budget deliberations.

Commissioner Caen asked if the Commission could also receive the same materials on Friday. Ms. Martel responded that staff was prepared to give the Commission the same materials.

President Normandy then addressed the Commission, noting receipt of a letter from Ms. Martel to Ms. Gloria Young, Clerk of the Board of Supervisors, regarding funding of the Revenue Bond Oversight Committee (RBOC).

Ms. Martel responded she spoke with Ms. Young on January 12th, and that Ms. Young understood that the legislation creating the RBOC designated the BOS as providing support staff and compensation to committee members. An agreement was reached that the General Manager would host a meeting with Ms. Young, as a representative of the BOS, and the Controller's Office on how to present this issue to the new Mayor, whose office should take the lead on implementation and funding. Ms. Martel also stated that the letter promised the total cooperation of the SFPUC and the continuation of support for the RBOC until such time that the BOS had identified appropriate staff and funding.

a) Inquiry into December 20, 2003 PG&E Power Failure

President Normandy called the item inquiring into the December 20th, 2003 PG&E power failure, initiated by Commissioner Werbach and himself to ensure that staff advised the Commission as to the effect the blackout had on the SFPUC and its operations. President Normandy thanked the members of PG&E present and for answering any questions on how the power failure affected the SFPUC. President Normandy indicated the Commission was aware that the BOS and CPUC had also scheduled hearings on the same matter; therefore, it was the Commission's intent

to focus on the effect on the SFPUC and the process for any claims that needed to be made. He then asked Commissioner Werbach to start the process, followed by General Manager Martel advising the Commission on any deleterious effects on the SFPUC, and concluding with PG&E taking questions.

Commissioner Werbach thanked President Normandy for making the time for the inquiry. Commissioner Werbach stated the blackout occurred on the busiest shopping day of the year, and that the people of San Francisco had demanded answers from the SFPUC. He then read some quotes by retail businesses whose sales suffered as a result of the blackout to demonstrate the seriousness of the issue. He read portions of statements from Mr. Cory Villano, a partner in the Wishbone gift store, Mr. Vardakastanis, Ms. Fatimah Kioshka [sic] of Jeffrey's Toys, and Mr. Sheetal Patel, owner of Seven-Eleven on Market Street.

Commissioner Werbach stated the Commission wanted to know what happened, who was responsible, and how it could be assured this would not happen again. He stated he was sure that the Commissioners all had specific questions to ask after the General Manager gave her report and PG&E made its presentation. He then thanked PG&E for coming voluntarily to answer questions.

Ms. Martel stated several SFPUC operations were affected in varying degrees. Subsequent to the power outage, the City Attorney, in collaboration with the City Controller's Office, issued a directive to all departments, that if they were affected in any way by the power outage, to provide detailed information for a potential claim that would be filed on behalf of the City. Ms. Martel stated the current estimate for labor and equipment that were required as a result of the power outage was slightly over $20,000. She noted that the division/bureau most affected was the Bureau of Environmental Regulatory Management (BERM) at a cost of $5,400, while both the City Distribution Division (CDD) and Water Pollution Control (WPC) had some expenditures, with the bill for WPC over $14,000, including some minor administrative expenditures related to computer equipment.

Ms. Martel stated that the North Point Pump Station, which does not have the capacity for an emergency power generator, was offline for approximately 22 hours. She further explained the North Point facility, primarily a wet-weather facility, was operated in a dry-weather mode during the outage. She stated that the Channel Street Pump Station, also a major pump station, lost power several times, but only for a short time in each instance. She stated Seacliff 1 and 2 Pump Stations, both minor pump stations, had several outages, but were able to run on emergency generator power. She stated the outage at North Point resulted in a discharge which potentially could result in a violation or a fine, but because of the extenuating circumstances, the SFPUC might be able to provide an administrative response to the Regional Water Control Board and hopefully not receive a severe penalty. She stated that the remainder of the impacts of the power outage consisted primarily of staff going to different locations and making immediate responses to outages as calls were received. She noted that during the entire

outage, the SFPUC headquarters at 1155 Market Street, across the street from the Mission Substation, was out of power and all computer business equipment was down for an extended period of time. She stated ITS staff was able to get the majority of SFPUC business operations up by 8:00 A.M. Monday morning following the power outage. Ms. Martel stated the landlord of the building was alerted about security concerns because the security doors on the building were deactivated because of the outage. She concluded her report by stating the landlord was very cooperative and called in security guards to remain on site until power was restored.

Commissioner Werbach then asked to hear PG&E's presentation.

Mr. Jeff Butler, Vice President of Operations Maintenance and Construction for PG&E, thanked the Commission for inviting PG&E to participate in the inquiry on the events at the Mission Substation. Mr. Butler stated he would review how PG&E delivered electricity to San Francisco and explain briefly the claims process and PG&E's intent to pay all valid claims and its goal of resolving most claims within 30 days. He apologized on behalf of PG&E to the City and County of San Francisco (CCSF) and all customers for any losses, problems or inconveniences resulting from the power outage.

Mr. Butler called attention to an electronic slide illustrating how PG&E delivers energy, which showed the energy comes from the generating station into a distribution substation, such as Mission Substation, which takes the transmission voltages and transforms them to distribution voltages that go out through the neighborhoods, feeding both residential and commercial customers. He stated everything that feeds Mission Substation was underground, with 415,000 volt lines coming in to the substation underground and over 2 dozen distribution circuits that leave the substation going out underground.

Mr. Butler acknowledged that PG&E had a circuit breaker trip at Mission Substation. He stated at that time, no customers were impacted as a result of that circuit breaker opening up, so PG&E had no outages that occurred at approximately 3:50 P.M. on December 20th. He stated approximately an hour and a half later, PG&E received additional alarms from Mission Substation that 2 additional breakers had tripped. He stated at that point PG&E had its first customer interruption, which was just over 3,000 customers. Mr. Butler stated PG&E immediately dispatched personnel and that a short time later, approximately 2 hours after the initial breaker tripped (shortly before 6:00 P.M.), a PG&E technician arrived at Mission Substation. He stated the technician noticed smoke in the station and immediately called for the station to be de-energized. Mr. Butler stated at that point, 102,000 customers lost power in CCSF. The San Francisco Fire Department (SFFD) responded and the Mission Substation was evacuated.

Mr. Butler stated that PG&E then restored power to 50,000 customers. He commented, in reference to Ms. Martel's statement regarding one of the pump

stations having power and losing power, that those pump stations were part of the system that was re-energized when PG&E evacuated the substation and restored undamaged equipment. Mr. Butler stated that it had become apparent that the fire was not completely out, requiring PG&E to de-energize customers again in the evening and early Sunday morning. He stated that the damage assessment determined there were two damaged cables that fed out through the distribution system that had to be bypassed. He added that the most time-consuming process was cleaning up the smoke that had accumulated on the various electrical structures within the substation. He stated it was not until PG&E was able to assess the amount of damage at 1:30 A.M., that it started restoring power to customers.

In explaining why the blackout happened, Mr. Butler provided photographs, stating that the pictures showed a failed cable on the side of "the vault" or "cell." He stated the failed cable initiated a fire into a structure above, called the "bus." Mr. Butler added that from every indication it continued to burn from the initial event that happened just before 4:00 P.M. until after staff responded to the fire, or almost 2 hours from the time it initiated to the time PG&E had a person at the station. He continued by saying that from the time the employee arrived at 5:45 P.M., PG&E de-energized the station at 5:57 P.M. and SFFD arrived at 6:02 P.M. Mr. Butler stated that PG&E acknowledged that the 90-minute delay in having a person respond to Mission Substation allowed for the fire to propagate into equipment more so than if there had been an immediate response.

Mr. Butler noted that PG&E's investigation was still ongoing to determine the sequence of events and what led to the delay. Mr. Butler went on to detail PG&E's policy on cleanup and service restoration. He stated it was PG&E policy on an initial response to: 1) ensure the safety of employees and the public, and 2) assess the damage and ensure safety in restoring power to customers and to do so in a reliable way. Mr. Butler added that there were significant amounts of smoke throughout a portion of the building, requiring workers to hand wipe those portions of the system.

Mr. Butler stated during the entire event PG&E communicated continuously with external parties, such as the San Francisco Office of Emergency Services, the media, regulators and other government agencies, as well as with its customers. Mr. Butler added that PG&E had been overly optimistic on how quickly this equipment could be cleaned up and ready to re-energize, noting numerous cells feeding out from the area had to be individually contained, cleaned and re-energized. Mr. Butler said that this led to the question, "What could PG&E have done any quicker?" He stated to handwipe a cell and remove all the debris took 2.5 hours per cell. Mr. Butler stated that PG&E hoped that it would be done with the investigation by the end of January or early February. He stated that PG&E was working with other agencies to assure everybody that the causes were found and that the proper steps were put in place to ensure that this type of event does not happen in the future. He stated the substation itself was substantially damaged,

and that PG&E was in the process of replacing it, hoping to have the station fully repaired by the end of January. Mr. Butler concluded that the blackout had a significant impact on commercial customers, given the time of year it occurred. He stated that PG&E apologizes for the losses, the problems, the issues, and inconveniences that it created.

Commissioner Werbach thanked Mr. Butler for the presentation. He asked Mr. Butler to describe how PG&E staffs the electric distribution control center at Martin, specifically, and if there were always two people on staff. He also asked when the shift changes occur and if there was a shift-change that happened at 5:00 P.M. Mr. Butler responded that staffing varies and that during most working hours, PG&E has four individuals that oversee distribution operations from San Mateo up the Peninsula. He stated during graveyard shifts and weekends, staff was typically two people. He stated this did not include staff in the field at those same times. Mr. Butler stated there was a shift change earlier in the day, but not at 5:00 P.M.

Commissioner Werbach asked if there was a fire alarm. Mr. Butler responded that PG&E has a Supervisory Control and Data Acquisition System (SCADA) with supervisory control of the Mission Substation. He stated when a breaker trips, there was a regular computer screen and a line indicating an alarm as well as an audible alarm. He stated after the initial alarm, a breaker tripped, and an alarm was also received of fire-system trouble, which was not observed. He stated the operator recognized there were no customer outages at that time, and continued to work knowing there was still good distribution to its customers.

Commissioner Werbach asked if it was human or mechanical error. Mr. Butler responded that it might be a process issue, in the way alarms come in, and the number of alarms that come into the station. He stated there were a lot of things that needed to be evaluated.

Commissioner Werbach asked why the outage was so extensive, and if the network system was designed to reroute power in such occasions. Mr. Butler directed the Commissioner to an electronic slide and explained the area affected when 102,000 customers were out of power. He stated PG&E had the ability to transfer some of the load. He stated there were six feeds that go out of Mission onto two different networks and that one of the feeders tripped at 3:51 P.M. that Saturday. He stated five feeders were more than capable of serving an entire load for that portion of the network, which was why that feeder was able to trip with no customer impact. He stated when the 50,000 customers were restored, they were fed from an undamaged part of the substation. Mr. Butler stated the entire station was de-energized, not once but twice, to ensure the safety of the fire personnel that were in the station and the PG&E employees in the station.

Commissioner Werbach commented that Mr. Butler stated in his presentation that PG&E would not re-energize until it was safe to do so, but that they did start re-energizing between the first and second fire. Mr. Butler replied that when

technicians gained access to the second story of the substation, where the switch-gear was located, smoke had already been evacuated from the building, so they knew there was not any damage in the part of the building that feeds out into the other part of the system. He stated, however, when the technicians entered the fire-damaged area, they discovered that there were still very hot areas, and that the fire had not been completely put out. Mr. Butler stated at that point, the distribution system was de-energized again in order to ensure safety.

Commissioner Werbach asked Mr. Butler if PG&E's bankruptcy proceedings had any effect on its operations and maintenance budget. Mr. Butler responded that there had been no adverse impact to operations and maintenance as a result of PG&E's bankruptcy proceedings.

Commissioner Werbach asked Mr. Butler how many outages had occurred this year in San Francisco. Mr. Butler responded that he did not know the answer to the question, but that prior to the December 20th event, San Francisco was in the top third of 19 large U.S. cities. He stated service reliability in San Francisco had historically been good.

Commissioner Werbach asked if PG&E felt competent it could prevent this type of situation from occurring in the future. Mr. Butler responded that no one could assure the 100% reliability of any electric system, but that PG&E would investigate this event and come to conclusions that would help prevent outages in the future.

Commissioner Werbach asked if Mr. Butler was aware of any upgrades to the distribution system that were needed to prevent this type of outage. Mr. Butler replied that aging infrastructure was an issue facing the entire industry, and that PG&E was evaluating an ongoing, system wide, underground cable replacement program.

President Normandy asked Mr. Butler if the SFPUC should contact Mr. Butler's office regarding claims. Mr. Butler referred the question to Mr. Mark Hughes, PG&E Director of Safety, Health and Claims. Mr. Hughes replied that the SFPUC could contact his office directly for claim forms and assistance with the process. Ms. Martel noted that the SFPUC was part of a broader City claim and that the SFPUC had been directed by the City Administrator's Office to submit a detailed cost estimate to his office. Mr. Hughes stated it was his understanding that the City's claim would come directly to his office.

Commissioner Werbach thanked President Normandy for his help on this item and the General Manager for providing him with information during the blackout. *He then thanked Mr. Butler for his presentation, and requested a report on how San Francisco now ranks in service reliability in light of the outage.*

President Normandy asked Mr. Matt Lonner to proactively brief SFPUC staff on pending issues. Ms. Martel added that Mr. Lonner, as well as other PG&E staff,

were regularly in contact with staff concerning a variety of matters and were always very cooperative and forthcoming.

Commissioner Brooks requested that if the Commission invited PG&E back in the future, that it be in regard to something under the SFPUC's jurisdiction. Commissioner Caen asked the General Manager why there was no generator at the Northpoint plant. Ms. Martel referred the question to Cheryl Davis, Acting Assistant General Manager of Operations. Ms. Davis stated it was a risk-assessment and historically PG&E outages were too few to justify the investment as cost-effective or necessary. She stated, however, with this outage and the possibility of a discharge violation, staff would reconsider that determination in the CWMP. *President Normandy requested that this be part of the upcoming budget discussions.*

Commissioner Werbach responded to Commissioner Brooks' comments, stating San Franciscans were interested in the possibility of the SFPUC replacing PG&E as San Francisco's retail power provider, and as such, they expect the SFPUC to have a higher level of oversight on the broad issues of power generation and delivery, and it was on this basis that he requested the inquiry.

President Normandy noted that it was the President that had moved this inquiry, and that it was an inquiry, rather than a hearing, because the SFPUC has no jurisdiction over PG&E.

Commissioner Caen requested that vulnerability assessments, particularly in regard to Hetch Hetchy and Moccasin, be added to the Old and Ongoing Business calendar.

7. Report of the General Manager

    a) San Francisco Reservoir Report

Ms. Martel stated Ms. Davis would provide an update regarding SFPUC reservoirs in the local water system and their capacity to provide for ongoing and emergency needs.

Ms. Davis stated emergency water supply planning must consider water quality as well as quantity. She stated the SFPUC had access to a mix of potable water for drinking, and non-potable water for firefighting, such as Lake Merced, the Bay, and the SFFD systems. She stated as the SFPUC plans for future reservoirs, it must be taken into account that water quality standards have changed. She stated location was also important because the City has a lot of pressure zones and hills.

Ms. Davis explained the SFPUC could not use generic criteria to examine the overall system and determine if there was enough storage. She stated consideration also had to be given for a reliable distribution system. Comparing

City-owned vs. total storage, Ms. Davis stated there were some reservoirs that were regional water assets, though they were physically located in the City. She explained a regional asset meant that 2/3 of the water in the reservoir did not belong to the City. She stated the City-owned supply was 195 MG, which met industry standards. She stated to increase local supply, improving the distribution of local water was very significant. She stated increased supply was of no use if it could not be delivered. She stated the CIP addressed this.

Ms. Davis stated other options included the local treatment of non-potable supplies, which the SFPUC does not currently have the ability to treat to potable standards. She stated the Presidio Reservoir had merit for increasing in-City storage because of its location. She stated it would not increase the City's aggregate storage of water, but would bring more water to an underserved area. Ms. Davis stated another alternative was the Balboa Reservoir, but that it had a considerable price tag and was not included in the CIP. She stated another option would be to purchase storage rights from the wholesale customers. She stated the recommendations were to proceed with construction of the Presidio Reservoir as planned, to do more analysis of potential areas in the system where pressure zones might make delivery of water problematic during an emergency, and to continue the development of alternative supplies.

Commissioner Brooks stated that it sounded like the real issue was not supply but delivery. Ms. Davis responded that she viewed it primarily as a reliability issue and that in order to feel confident in the SFPUC's emergency preparedness, it was something the SFPUC should examine.

Commissioner Caen commented that a 2.3-day supply did not seem like very much, even if it was in excess of industry standards. Ms. Davis replied that it was true that the City exceeded industry standards, but that she was not urging complacency about the City's situation.

Ms. Martel added that it was important to distinguish between a short-term emergency and a long-term emergency, such as a drought. She asked if a significant earthquake put part of the system out, would San Francisco have adequate water. She stated in a real emergency, there would be additional resources provided by other bodies such as the State Office of Emergency Services or the Federal Emergency Management Agency. She stated it was not possible for the SFPUC to guarantee 100% availability of water for 5 days or more in that kind of emergency. She stated SFPUC needed to do more work to acquire additional supply, storage, and distribution means.

Commissioner Brooks asked for an explanation of the "industry standard." Ms. Davis replied that the industry standard was set by American Water Works Association (AWWA) as to what communities should construct, which was not based on averages.

Commissioner Brooks commented that he felt uncertain about the adequacy of the 2.3-day reserve. Ms. Davis responded that she felt positive about the amount of storage that the SFPUC had relative to water industry standards and other utilities. She stated that the City had been fortunate that the water system was constructed with an earthquake in mind, and has more storage capacity than is common. She also noted that there was money in the budget to do an emergency response and recovery plan for the City.

Commissioner Caen asked if Ms. Davis would come back to the Commission to explain more about the derivation of the AWWA standards.

President Normandy requested that staff give the Commission a reasonable timeframe as to when it could provide the Commission with a draft policy recommendation to assure emergency preparedness in three scenarios: regular operations, long-term drought, and a catastrophic emergency.

b) Contract Advertisements Report

Ms. Martel asked for Commissioner input on the policy of advertising contracts on the Consent Calendar.

President Normandy noted there were no comments from the Commissioners and that the reporting policy met the Commission's needs. *He requested the Commission Secretary create a binder that contained the contract advertisement reports and that it be accessible to the Commissioners at all times.*

Ms. Martel stated that the final item of her report was to inform the Commission that staff had scheduled the next meetings of both the RBOC and the Rate Fairness Board (RFB). She stated the RBOC would meet on February 3, from 9:30-11:00 A.M., at 1155 Market Street in the 4th floor conference room. She stated there would be a presentation on the CIP by Mr. Harlan Kelly, Assistant General Manager of Infrastructure, and Mr. William Berry, Assistant General Manager of Business Services, would present on the Long-Range Financial Plan and the Commercial Paper Program. She stated the RFB would be holding its first official meeting on February 4, from 10:00 A.M.-12 NOON in City Hall, Room #421 to organize itself and its activities, to identify agenda items and to look at a schedule for potential public hearings.

8. Public Comments on matters not on today's agenda.

There were none.

CONSENT CALENDAR

President Normandy announced there was a clerical typo in Item No. 9.a. He stated the dates should be September 9, 2002 and ending October 14, 2003. He stated it did not affect the substance of the material.

9. Moved by Commissioner Caen, seconded by Commissioner Werbach, to adopt the items (a-b) listed under the Consent Calendar; passed (5-0) unanimously.

   a) Resolution No. 04-0001: Accept work performed on Contract No. CW-290, Howard Street Outfall Butterfly Gate Valve Replacement, for a total contract amount of $139,598.00 and authorize final payment in the amount of $13,959.80 to Power Engineering Contractors, Inc.

   b) Resolution No. 04-0002: Ratify the Declaration of Emergency made by the General Manager of Public Utilities, dated December 29, 2003 and approved by the President of the Commission.

REGULAR CALENDAR

CONSTRUCTION CONTRACTS

Amend

10. Discussion and possible action related to Contract No. WP-23.

    Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

    Resolution No. 04-0003: Approve Modification No. 1 to Contract No. WP-23 O'Shaughnessy Camp Domestic Water System Improvements, increasing the duration by 109 consecutive calendar days for a total contract duration of 229 consecutive calendar days.

PROFESSIONAL SERVICE CONTRACTS

Advertise

Commission Secretary Mary Jung announced that Item No. 11 was continued from the December 15, 2003 Special Meeting.

11. Discussion and possible action related to PS-101.

President Normandy asked Commissioner Werbach if his questions regarding this item had been answered and reflected in the agenda packet presented by staff. Commissioner Werbach responded affirmatively. President Normandy stated he was pleased with the recycling component and noted that as stewards of the environment, the SFPUC did not want to generate more waste.

Moved by Commissioner Caen, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0004: Authorize the General Manager of Public Utilities to advertise and request proposals for PS-101, Bottled Water Services, receive proposals for said professional services agreements, conduct a selection process to identify the best qualified firms to provide/assist bottled water services, and return to the Commission for award and authorization to negotiate professional services agreements.

Award

12. Discussion and possible action related to Agreement No. CS-729.

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0005: Award Montague DeRose & Associates, LLC for Pool-1 and Kitahata & Company for Pool-2 to provide financial advisory services for the San Francisco Public Utilities Commission under Agreement No. CS-729, Financial Advisory Services, and authorize the General Manager of Public Utilities to execute financial advisory agreements with the above-named firms. Aggregate financial advisory fees under the agreements will not exceed $250,000, respectively.

Amend

13. Discussion and possible action related to Amendment No. 2 to Agreement No. CS-672C.

Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0006: Authorize the General Manager of Public Utilities to negotiate and execute Amendment No. 2 to Agreement No. CS-672 C, the "Lake Merced Raised Water Level Assessment" dated August 2002 with

EDAW/Talavera & Richardson (EDAW). Amendment No. 2 will provide for a time-extension of eight months and for a Seventy Thousand and 00/100 Dollar ($70,000) increase in the contract amount.

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.

    There were none.

15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

    Moved by Commissioner Brooks, seconded by Commissioner Werbach, to assert the attorney-client privilege; passed (5-0) unanimously.

The Public Utilities Commission met in Closed Session at 3:24 P.M. to discuss the following matters:

16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

    Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

    Existing Litigation: Barbara Dennes vs. CCSF; Claim No. 02-03449

    Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

    Resolution No. 04-0007

17. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

    Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

    Existing Litigation: 21st Century Insurance, Claim No. 03-02697

Moved by Commissioner Brooks, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0008

Following the Closed Session, the Commission reconvened in open session at 3:26 P.M.

18. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

19. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Commissioner Brooks, seconded by Vice President Costello, not to disclose the discussions during Closed Session; passed (5-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 3:26 P.M.

Mary Y. Jung
Secretary

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CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 MARKET ST., 11TH FLOOR, SAN FRANCISCO, CA 94103 • TEL. (415) 554-3155 • FAX (415) 554-3161

GAVIN NEWSOM
MAYOR

E. DENNIS NORMANDY
PRESIDENT

ROBERT J. COSTELLO
VICE PRESIDENT

ANN MOLLER CAEN
ADAM WERBACH
RYAN L. BROOKS

PATRICIA E. MARTEL
GENERAL MANAGER

NOTICE OF PUBLIC HEARINGS

Notice is hereby given that the San Francisco Public Utilities Commission will conduct public hearings on the Operating and Capital Budgets for the enterprises and bureaus of the San Francisco Public Utilities Commission for FY 2004-2005 on the following dates: (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103).

Tuesday, January 27, 2004 – 1:30 P.M.
City Hall, Room 400, 1 Dr. Carlton B. Goodlett Place, San Francisco, California

Tuesday, February 3, 2004 – 1:30 P.M.
SFPUC, 1155 Market Street, Room 402, San Francisco, California

Thursday, February 5, 2004 – 1:30 P.M.
SFPUC, 1155 Market Street, Room 402, San Francisco, California

Tuesday, February 10, 2004 – 1:30 P.M.
City Hall, Room 400, 1 Dr. Carlton B. Goodlett Place, San Francisco, California

Thursday, February 12, 2004 – 1:30 P.M.
SFPUC, 1155 Market Street, Room 402, San Francisco, California

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AGENDA

REGULAR MEETING

January 27, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance
(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Discussion and possible action relating to the election of President and Vice President

4. Approval of Minutes

   a) Minutes of the November 25, 2003 Regular Meeting

5. Communications

6. Old/Ongoing Business by Commissioners

7. Introduction of New Business by Commissioners

8. Report of the General Manager

   a) Lake Merced Update (Bartow)

   b) Capital Project MOU Addendum (Buker)

   c) Priest By-Pass Update (Martel)

   d) Permit Streamlining Update (Martel)

9. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

   a) Bay Area Water Supply & Conservation Agency Update (Jensen)

10. Public Comments

    Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

REGULAR BUSINESS

11. Discussion and possible action related to Mr. Everett Brandon. (Martel)

    Staff Recommendation: Honor Mr. Everett Brandon for his outstanding leadership and public service as the SFPUC Combined Charities Campaign Coordinator for 2003.

12. Discussion and possible action related to San Mateo County trail construction. (Naras)

    Staff Recommendation: Authorize the General Manager of Public Utilities to extend San Mateo County's completion date for trail construction an additional 3 years.

13. Discussion and possible action related to Agreement No. CS-524. (Kelly)

    Staff Recommendation: Authorize the General Manager of Public Utilities to pay Contract Year 2 and Year 3 performance fees to the Water Infrastructure Partners for Agreement No. CS-524, Program Management Services, in the amount of $115,335.46 for Year 2, and not to exceed $345,101.82 for Year 3.

14. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103.) (Martel)

Staff Recommendation: For discussion only. This item is proposed for continuance to February 3 and 5, 2004 at 1:30 P.M. in Room 402, 1155 Market Street; February 10, 2004 at 1:30 P.M. in Room 400, City Hall; and February 12, 2004 at 1:30 P.M. in Room 402, 1155 Market Street.

PROFESSIONAL SERVICE CONTRACTS

Award

15. Discussion and possible action related to Agreement No. CS-741. (Kelly)

Staff Recommendation: Approve the selection of Environmental Science Associates (ESA)/Orion Environmental Associates Joint Venture for Agreement No. CS-741, Regional Water System Improvements-Program Environmental Impact Report (PEIR) Services, to provide environmental analysis services for the SFPUC, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement with ESA/Orion Joint Venture for an amount not to exceed $2.5 Million, and with a duration of 30 months.

CLOSED SESSION

16. Public comments on matters to be discussed in Closed Session.

17. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

18. Threat to Public Services or Facilities (Government Code Section 54957): (Clayton)

    Consultation with: Sheriff Hennessey concerning security of SFPUC Water and Power Systems.

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

    Existing Litigation: Scott Richard Cameron,
    Litigated Claim No. 03-02720 (02-W-6024-2).

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

20. Announcement following Closed Session.

21. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

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January 27, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:32 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks

3. Discussion and possible action relating to the election of President and Vice President

   Commissioner Caen suggested amending the Rules of Order to have the SFPUC sitting President and Vice President continue their positions for one additional year. She stated her reason was that it would be better for the transition of the new Mayor. Commissioner Caen made a motion.

   Vice President Costello commented that he agreed. He noted he and Commissioner Brooks both had terms that had expired which put the Commission in limbo. He stated President Normandy had done an outstanding job and that he was proud to second a motion for him to be retained and that he hold his position until the Mayor made a decision.

   Commissioner Brooks echoed Vice President Costello's comments stating it would be best for the City and the Commission to retain the seated positions.

   President Normandy thanked his fellow Commissioners for their confidence and support. He stated there was a motion and a second on the table. The Commission unanimously elected President Normandy for President and Vice President Costello for Vice President.

4. Approval of Minutes

   Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the Minutes of the November 25, 2003 Regular meeting as amended; passed (5-0) unanimously.

5. Communications

   No action was taken.

6. Old/Ongoing Business by Commissioners

   Commissioner Caen requested that the memorandum regarding the Moscone Reimbursement Schedule (MRS) be calendared as a discussion item at the next meeting. She asked if the Commission had approved an item related to the MRS.

Mr. Ed Smeloff, Assistant General Manager of Power Policy, Planning & Resource Development, stated the MRS came up in context to a change order for additional funds to complete the energy-efficiency component of the Moscone Center project. He stated the Commission approved the item with a majority vote and the funds were used on the project. He stated Commissioner Caen had asked for a broader perspective on the Moscone project regarding total cost, recovering costs, etc., which was detailed in the memorandum.

Commissioner Caen reiterated she wanted it brought up for discussion. *President Normandy requested Ms. Patricia E. Martel, General Manager of Public Utilities, to schedule the item.* Ms. Martel agreed and inquired if Commissioner Caen was requesting a specific focus or issue. Commissioner Caen stated she wanted the item discussed in its entirety.

Commissioner Werbach inquired if there was a response to his inquiry about dicyclohexane compound in the drinking water supply in the spring. Ms. Martel stated she had a response and would discuss it in Closed Session as it related to a highly sensitive security issue related to SFPUC facilities. President Normandy stated, for the record, it would go on Closed Session as it related to security. Ms. Martel stated a security update was being provided to the Commission today in Closed Session and that the dicyclohexane would be included.

President Normandy asked if Commissioner Werbach's request would be met. Ms. Martel stated it would in detail during Closed Session. President Normandy asked if this would satisfy Commissioner Werbach. Commissioner Werbach stated it would and commented that if there were public health questions related to it, the Commission should share the information with the public. President Normandy stated for the record the Commission intended to meet in Closed Session regarding security issues and any public health concerns would be shared with the public.

Commissioner Brooks requested a compilation of the total real estate owned and operated by SFPUC. Ms. Martel stated she had directed Mr. Gary Dowd, Manager of Real Estate Services, to prepare the report and meet with Commissioner Brooks to review it. She noted that it had not been completed.

President Normandy requested a status report regarding the ongoing work on the labor agreement draft and related scheduled public hearings at the next meeting.

Vice President Costello commented that he was surprised when he received a communication that staff had completed the Project Labor Agreement (PLA) with Local 21, saying he didn't believe staff had the right to enter into that type of agreement. He stated Ms. Martel advised him it was not a PLA, rather an addendum to the MOU. He stated he raised the point because Mr. Harlan Kelly, Assistant General Manager of Infrastructure, previously stated he was contemplating a PLA with Local 21. He stated he'd advised him, for the record, that

there would only be one PLA and that Local 21 would be included in the agreement. He stated he was upset that it was not brought before the Commission before it was adopted. He requested it be submitted before it was finalized.

Ms. Martel noted that in today's General Manager's report, there was a report on the capital project MOU addendum. She clarified for the Commission that SFPUC did not independently enter into negotiations with Local 21 regarding the MOU. She stated it was a City-wide reopener of the Local 21 contract and that negotiations were led by the City's labor team. She stated SFPUC staff assisted with the negotiations and that Mr. Kelly represented her in the discussions with Local 21. She stated SFPUC did not take the lead in the negotiations, but were involved because the MOU would affect the delivery of the Capital Improvement Program (CIP).

Vice President Costello reiterated that the matter should have been brought before the Commission and that it was not completed in his opinion. Mr. Kelly stated, for the record, that the MOU was under the Mayor because it affected all City departments with engineers, landscape architects, and construction inspectors, not just the SFPUC. He stated the Mayor and the Department of Human Resources (DHR) requested that departments participate to make sure their interests were covered. He stated the Mayor's Office finalized the agreement and that SFPUC did not act independently on the matter, as the City and the Mayor's Office led the contract.

Vice President Costello asked why the Commission was not provided copies of the MOU completed with Local 21. Mr. Kelly responded it was the Mayor.

Vice President Costello stated the Commission was appointed to represent the people. He stated what was at stake were 27 craft unions, a 12-year program and a PLA. He reiterated that the Commission needed to be apprised of developments.

Commissioner Brooks asked if it was the Commission or the Mayor's Office that had the legal authority to accept the efforts of the negotiations when the City's team negotiated a 7.5% give back by the labor unions in 2002. Ms. Vicki Clayton, Deputy City Attorney, stated under the Charter, all collective bargaining was overseen by the mayor and performed by the Employee Relations Division of DHR. She stated when a tentative agreement was reached between the City's negotiators and the union, the agreement was presented to the Board of Supervisors (BOS) for approval. She stated they normally did not go to individual commissions unless there were matters within the sole jurisdiction of the commission.

Commissioner Brooks echoed Vice President's sentiments that the matter was important to the people of San Francisco and that the Commission should have a say in the process. Ms. Clayton stated when matters were being negotiated that were of interest to individual departments, requests could be made to the labor

negotiators to brief the general manager or meet in closed session with a commission to provide input to the negotiators before the agreements were finalized. She stated it was an informal process.

President Normandy stated Vice President Costello's remarks dealt with the Commission not being apprised sufficiently. He stated clarity was needed to delineate between two issues: one being the City-wide MOU and an amendment affecting City departments and the other being the PLA agreement affecting the CIP. *He requested an update on both issues at the next meeting and that Vice President Costello's remarks be addressed.*

Mr. Kelly clarified that the addendum was also City-wide. He stated it not only affected the SFPUC, but would affect all departments with those classifications. President Normandy stated he understood it was a City-wide agreement, but that there were two sections of the agreement that specifically addressed the contracting and the joint City committee governing the SFPUC and Department of Pubic Works (DPW).

7. Introduction of New Business by Commissioners

Commissioner Caen asked when the audited statements would be reviewed in a meeting. Ms. Martel stated a report would be given at the next meeting. President Normandy clarified that the audited statements required discussion and needed to be an agenda item. *He directed Ms. Martel to place it as an item on the agenda for the next meeting.*

Commissioner Caen asked for an update on the Performance Assessment, wanting to know if it was ongoing at this time.

Ms. Martel replied that it was. She stated there had been a slow down resulting from two transitions: 1) the SFPUC project manager, who was on leave for several months, and subsequently left the SFPUC, and 2) the departure of the project director from the consulting firm. She stated during that period, other SFPUC staff tried to keep the process moving. She stated another project director had been chosen. She stated the final report on the first segment of the performance assessment had not been received, but was expected within a week. She stated an advisory committee representing staff, labor and wholesale customers had been established with the intent of reviewing the performance assessment reports, providing input and suggestions. She stated the advisory committee had not yet met because of the staff transitions. She stated there had been a meeting with the consultants. She stated updates would be provided to the Commission with each segment of the performance assessment as it evolved.

President Normandy inquired if the Commission would consider setting a rough timetable. He recalled the March 27, 2003 minutes, in which the Commission had established priorities and policies for the organizational structure of the SFPUC. He

stated the Commission had received agreement from staff regarding review of the agency's Strategic Business Plan (SBP) and Strategic Financial Plan in October. He acknowledged the delays in the assessment process, but urged fast tracking it. *President Normandy requested a draft update of the Strategic Financial and Business Plans and a progress report on the reorganization of the agency by the end of June/beginning of July.*

Ms. Martel agreed to the timeline. She stated the development of the SFPUC SBP had been discussed with the Commission before and after March 27th. She stated a strategic-planning process needed to be conducted for the entire SFPUC, involving input from the Commission, staff, wholesale customers, and the public to establish goals and objectives and how they would be achieved. She stated a formal strategic business plan process needed to be conducted and an RFP would be presented to the Commission by the next meeting. She stated when SFPUC brought in consulting expertise, a vigorous review process with labor groups was done to determine whether contracting out work was appropriate. She stated that had been done and support was being sought for the SBP process, which could affect the timeline. She stated the plan was to bring the consultants on and begin the public process. She stated the Commission would be provided details and would be involved in the development of strategic planning.

President Normandy stated the Commission had enunciated the vision for the organization of the SFPUC nearly a year ago and that it was a high priority to proceed with the SBP process. He stated the Commission's policy view was that in the process of developing the SBP, direct responsibility was needed from 6 people—the 5 Assistant General Managers, charged with responsibility and performance accountability for each operation, and the General Manager overseeing all. He stated the Commission wanted the 6 to be in operational mode to speed up the process. He stated the priority needed to be established by June/July for a specific structure to the SFPUC that would allow forward movement.

Commissioner Werbach requested the General Manager provide the Commission with a list of policies on what information was classified or censored for security concerns. He stated he was concerned that SFPUC was not sharing enough information with the public and might be overly concerned with security on some issues. He stated he thought it was appropriate that the Commission reviewed the policies and came forward with its own policy statements, rather than giving direction to the General Manager on how information should be closed, especially public health issues. He stated he sided with getting information to the public as quickly as possible.

Ms. Martel stated she was willing to provide the report. She clarified that public health concerns were not defined under SFPUC security-related confidential items. She stated if any issue affecting public health arose, SFPUC was legally obligated to make the information public knowledge. She stated the security-related update

in Closed Session indicated there was no public health concern involved in the particular issue. She stated there were serious security concerns, which would be described in detail. She reiterated there was no pubic health concern involved, otherwise a public health advisory would have been issued.

President Normandy thanked Ms. Martel for the clarification. He stated the Commission shared her point of view on separating security and public safety, and agreed with Commissioner Werbach's concern that public safety issues were paramount. He noted communications needed to be legal, immediate and encompassing. He stated that if there was no policy in place regarding the division between public safety and security, one should be articulated and voted on.

Commissioner Werbach stated he thought the Commission needed to see a policy for when items were kept private from the public. *President Normandy requested staff start looking at the issue in general.* Ms. Martel stated the process had already begun. She stated the Vulnerability Assessment had been undertaken and updates related to security matters had been provided to the Commission. She stated she would work with the City Attorney's Office and the Operations staff. She noted the SFPUC security coordinator, who had been coordinating with Operations, had transitioned out of the agency and that the coordinator's work had been assigned to other staff.

Commissioner Werbach shared that he understood from the environmental community that there was not the same amount of information post 9/11. He stated the information they were seeking did not seem like security-related issues and stated perhaps SFPUC was over censoring. *He requested to see the policy, what had been pulled off the website, and what had not been done.* He stated he wanted to make sure that a policy articulated by the Commission was being followed. President Normandy concurred it was a valid request.

Commissioner Werbach requested the Commission be provided copies of the Rocky Mountain Institute's energy reliability report on San Francisco's energy system.

President Normandy announced the newly appointed supervisor, Supervisor Michela Alioto-Pier. *He requested the General Manager send a congratulatory letter to her on behalf of the Commission and offer to provide her with an orientation to the SFPUC and a tour of the facilities.* Ms. Martel responded she would be happy to provide the new supervisor with information and/or tours. *President Normandy requested that courtesy calls by the Commissioners with Supervisor Alioto Pier be arranged, noting the Brown Act limited two Commissioners at a time.*

8. Report of the General Manager

   a) Lake Merced Update

Mr. Greg Bartow, Groundwater Program Manager, stated the water level at Lake Merced was a little over 21 feet gage board, which was an additional foot from the winter rains. He stated progress had been made to reach the Lake Merced Task Force goal of 25-28 foot.

Mr. Bartow stated SFPUC was working with the City of Daly City on a regional groundwater model for the entire Westside Basin, from Golden Gate Park to the San Francisco Airport. He stated Daly City took the lead on the model through a grant from the State of California. He stated SFPUC was working with them to integrate collected data and that a schedule for public involvement had been determined. He stated the model would be a key to Lake Merced restoration, as well as groundwater development in the Sunset District and the Westside Basin conjunctive use project.

Mr. Bartow reported that a study on lead shot from the Pacific Rod and Gun Club had been conducted 15 years ago and was found not to be significantly bioavailable or to pose a risk by the Department of Fish & Game. He stated no further action was needed at that time; however, SFPUC wanted to perform additional studies due to raising the lake and inundating part of the shoreline. He stated it was easier to do the study now rather than when the lake level was restored. He stated a sampling and a work plan were underway.

Mr. Bartow shared that the Lake Merced Task Force adopted a resolution at their December meeting. He stated the resolution asked for global solutions for Lake Merced and that the lake not be raised any further with SFPUC system water until global solutions were in place. He stated SFPUC didn't have any major conflict with the resolution.

Mr. Bartow stated there was a pilot project to add stormwater to Lake Merced. He stated it was a follow-up test to work done last year which separated and removed trash from stormwater. He stated it was found that elevated bacteria still existed in the nutrients. He stated the existing wetlands would be used. He stated it could be the first time that storm water was added to the lake in a controlled manner, using a new water supply other than system water. He stated Daly City approached SFPUC in August with money for supplemental environmental projects. In addition to working with Daly City, SFPUC had been working through the Regional Water Quality Control Board and Department of Public Health on the project.

President Normandy thanked Mr. Bartow for his close work with the neighborhood, science and environmental communities and for making sure no negative impacts occur with improvements to the lake.

b) Capital Project MOU Addendum

Mr. Jim Buker, Assistant to the Assistant General Manager of Infrastructure, stated the purpose of the Citywide Capital Project MOU Addendum was to promote the

efficiency of design, construction management and project management operations of the City's overall capital projects. He stated it would promote assurance for the public that the City's capital projects be completed in a timely and economical manner.

Mr. Buker stated all labor unions agreed last year for employees to pick up the City's 7.5% contribution to the retirement system to address the City's budget deficit. He stated the action, which Local 21 took the lead on, significantly reduced layoffs and avoided major service disruptions. He stated the City and Local 21 agreed in their MOU negotiations that the capital projects created a special situation for engineers and related classes that should be addressed by negotiating a targeted amendment to the MOU. He stated they decided to amend the City-wide labor agreement affecting all Local 21 members for a targeted reopener affecting the designers and project managers.

Mr. Buker stated the MOU was for 2 years and affected current employees in their current status. He stated Local 21 intended to invoke Section 8.409 of the Charter to provide for an arbitration process if the two parties were not able to reach an agreement. He stated there was a short window of opportunity to negotiate the amendment to the Citywide MOU. He stated the Mayor's Office looked to Mr. Kelly and his staff to lead the negotiations representing the partnership between DPW and SFPUC. Mr. Buker stated he was a DPW employee on full-time work order to SFPUC and that he and Mr. Kelly represented that partnership. He stated late in December the Mayor requested the City negotiating team of Mr. Kelly, himself, the City Attorney's Office and DHR complete the negotiations before the new year.

Mr. Buker stated the agreement illustrated the partnership the City was building with Local 21 to successfully deliver the CIP. He stated it governed a subset of Local 21 classifications that included engineering, architecture, landscape architecture, construction management and project management. He stated the next steps were the Employee Relations Division of DHR and the City Attorney's Office would forward the agreement to the BOS and it would be heard by the full BOS.

President Normandy commented there were advantages in the addendum for speeding up the CIP process. He asked if there was anything in the addendum that might be red-flagged. Mr. Buker stated important innovations had been achieved in developing cooperation with the professionals leading the planning and design phase of the project. He stated the reason for the urgency in moving the addendum forward was because it only affected planning and design—the current phase of the project—and not the major construction portion. He stated the compensation increases provided for increased levels of responsibility by employees or delivering savings to the City in terms of time and cost.

President Normandy asked if there were any negatives at this stage. Mr. Buker stated that the provisions that the City wanted to achieve related to hiring. He

stated compromises were reached in the level of the premium that would be awarded for taking on increased responsibility, but the principle was maintained that the compensation was for increased responsibility or performance. Ms. Martel responded that throughout the extended negotiations, red-flag issues were brought up. She stated the implications were discussed with staff and the negotiating team worked out compromises so that red-flag issues were not considered as such and that both sides got what they needed.

Commissioner Costello, referring to the MOU reached with Local 21, asked about the 27 craft unions that work for the SFPUC and DPW, and if it applied to them. Mr. Buker stated the amendment to the Citywide agreement affected a subset of Local 21 members involved in the planning and design of capital projects.

Commissioner Costello stated he understood, but the intent and goal had been to get a unified labor agreement of all the participating bodies. He commented that he had been involved with the craft unions and the 7.5% pension reduction and that they would be asking him why Local 21 was singled out in the MOU and ignored the other craft unions. He stated he thought the efforts were right, but that it needed to entail everyone who gave up the 7.5%.

Ms. Martel stated Vice President Costello raised an important issue and was correct in saying that other labor units were represented in the SFPUC, not just Local 21. Ms. Martel clarified that the agreement would serve as a model for subsequent MOUs with other labor groups because the outcome of the CIP for the water system would have implications for Operations. She stated there would be new work, new issues related to facilities and potential labor-related concerns that would arise as a result of the construction on the CIP. She noted the initial stage of the sewer system master plan was underway and it would affect staff represented by other labor groups. She commented that she foresaw other kinds of MOUs arising in the future as a result of work undertaken in all areas of SFPUC enterprises. She stated using this MOU as model, could be helpful in strategies for subsequent negotiations.

President Normandy responded that the statements addressed Vice President Costello's concern. He stated he was pleased to see that people were being rewarded for taking on increased responsibilities.

Regarding staffing, Commissioner Caen asked what the Rule of the List, the Rule of 7and the Rule of 5 meant. Mr. Buker stated it was DHR's responsibility to identify a pool of qualified candidates and to prepare a list. He stated depending on the rule that was applied, management had the opportunity to select an ultimate candidate to fill a position using the Rule of the List, the Rule of 7 scores or the Rule of 5 scores. He stated what was being defined was what percentage of an entire pool could be considered to fill a particular position.

President Normandy asked if the Rule of 5 and 7 were the top 5 or 7 rated achievers within the pool. Mr. Buker stated a legitimate candidate was identified to fill a position starting at the top and following that rule.

Commissioner Costello asked when it was amended to go 7. Ms. Carol Isen, Workforce Development Director, stated the Rule of 3 was removed from the City Charter in 1991. Ms. Clayton stated it became the Rule of 3 scores as a fallback position. Ms. Isen stated a minimum Rule of 3 scores, up to the Rule of the List, existed now in the City Charter.

Commissioner Caen asked who determined what rule to put on a particular group. Ms. Isen answered that the right to place selection rules into a Civil Service announcement was contained within the rules of the Civil Service Commission and DHR, but was also subject to negotiation with the affected union.

c) Priest By-Pass Update

Ms. Martel reported that the Priest By-Pass project was a complete success and was delivered on time and within budget. She stated the Hetch Hetchy system was in full service on Thursday morning, January 22, delivering 232 MG of water a day. She reported that the San Joaquin Pipelines #2 and #3 were now in service. She acknowledged the outstanding job done by all the participating staff at Moccasin and at 1155 Market Street, many of whom worked around the clock throughout the 52-day period. She spoke to their dedication and commitment of working under difficult circumstances, such as bad weather and setbacks on geotechnical work, without jeopardizing the system or delivery of water. She stated a celebration was held in Moccasin on January 16 to commemorate the success of the project.

President Normandy requested the General Manager's Chief of Staff coordinate with the Commission Secretary on writing letters to staff for their outstanding job.

d) Permit Streamlining Update

Ms. Martel stated a year ago discussion began on a permit streamlining process with Federal and State agencies to garner support from regulatory agencies for the environmental process and permits for CIP projects. During the year, the SFPUC Washington DC legislative representative and Congresswoman Nancy Pelosi crafted language in the Water Resources Development Act to allow SFPUC to fund a local permit office in San Francisco as part of the CIP. She stated the bill with incorporated language was approved in December and signed by the President. She stated SFPUC staff had been working with regulatory agencies to lay out the plan to be written up in an MOU or an agreement between SFPUC and the various agencies. She stated it would outline Federal and State agency staffing, payment for support services, fund transfers for staffing needs, location of local office, and incorporation of State regulatory personnel into the office established by Federal

agencies. She stated the U.S. Army Corps of Engineers was the lead agency working with SFPUC staff.

Ms. Martel informed the Commission that she would be going to Washington DC tomorrow to meet with representatives of the Department of the Interior (DOI) and other regulatory agencies to update them on the permit streamlining process. She stated she would also be meeting with National Park Service (NPS) representatives to talk about security-related issues. She stated the NPS was presenting a proposal to DOI for additional staff at Yosemite for higher-level security at Hetch Hetchy and that she would offer her support. She noted that during "Level Orange" periods in the past, NPS was required to bring personnel from other national parks to provide around the clock security at Hetch Hetchy. She stated it had been decided to have permanent staff at Yosemite trained to do security patrolling. She concluded that progress had been made through the partnerships developed in the past year.

9. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

a) Bay Area Water Supply & Conservation Agency Update

Mr. Art Jensen, General Manager of BAWSCA, congratulated the Commissioners on their renewed terms. He thanked President Normandy for attending their Board meeting and for the letter of response to Mr. Ruskin.

Mr. Jensen stated BAWSCA had entered into its second 6 months of existence as a water agency and that the Regional Financing Authority (RFA) had existed 9 months. He stated at their last meeting, officers were elected: for BAWSCA, Mr. Ruskin and Mr. Beecham continued as the Chair and Vice Chair and for RFA, Mr. Ruskin and Mr. Kasperzak continued as the Chair and Vice Chair.

Mr. Jensen stated there was an active interest in conservation and the demand projections. He stated the conservation program would continue to form as the demand analyses were done, and would include evaluation of different demand alternatives. He stated the Board was very interested in the work with environmental groups. He stated the Board would be considering the issue of the removal of the Hetch Hetchy reservoir and the potential impacts on water supply. He stated a report was forthcoming at which point they would consider whether or not to take a policy position. He stated the Board was to receive information regarding activities that relate to the water supply on the Tuolumne River.

Mr. Jensen informed the Commission that the Board would get a presentation in February regarding BAWSCA's assessment of SFPUC's progress in implementing the CIP. He stated it was too early to tell if the program would succeed; however, there was evidence the SFPUC was working hard and making progress as projects were getting completed and the system repaired.

10. Public Comments on matters not on today's agenda.

Mr. Emeric Kalman, San Francisco resident, had a 2004 SFPUC leaflet in hand about the new water disinfection. He stated he thought it was to be ready last year, and the leaflet didn't mention that it didn't meet the deadline. President Normandy responded that the Commission addressed the issue during the last quarter of 2003, as factors arose which extended the deadline for the chloramine conversion to February 2, 2004. He stated appropriate communications had been made. Ms. Martel concurred.

Mr. Kalman referenced a notice in *The Chronicle* and *The Independent* entitled "Making Great Water Better," asking why it was necessary. He stated in January he brought up the subject of SFPUC's new water to the Recreation & Park Commission, asking if it was safe for the aquarium and zoo. He asked if there were any scientific studies, commenting that it was stated it was dangerous for fish and wondered if at a later date, it would be found to be dangerous for humans. President Normandy answered that the Communications division handled communicating the science and potential health and safety issues regarding the conversion. He stated the notice in the newspapers was part of their overall communications program. He deferred to staff to make further comment.

Mr. Kalman stated he raised the issue thinking that some entity could bring a lawsuit against SFPUC claiming it poisoned people, animals and/or fish. He referenced the issue of additives to gasoline. President Normandy commented that science being what it is, what was true in the past might no longer be true today. Ms. Martel stated chloramine disinfectant had been used by all the other Bay Area water utilities in the counties of Marin, Contra Costa, Alameda and Santa Clara for a number of years. She stated the conversion from chlorine to chloramine was a higher level of treatment, which combined chlorine and ammonia to reduce the levels of harmful bi-products. She stated it complied with the Safe Drinking Water Act water quality standards and would increase public health and safety. She stated outreach had been done for over a year to sensitive users: 1) fish and amphibian owners, 2) dialysis patients, and 3) businesses using highly processed water. She stated the outreach to alert the public had been extensive and used a variety of media.

Mr. Kalman asked if Hetch Hetchy water was being added to Lake Merced. Ms. Martel answered that chloraminated water would not be added to the lake.

President Normandy recessed the meeting at 3:00 P.M.

The meeting was reconvened at 3:13 PM

11. Discussion and possible action related to Mr. Everett Brandon.

Ms. Martel stated it gave her great pleasure and pride to recognize Mr. Everett Brandon, Communications Public Relations Officer, for his outstanding leadership as this year's SFPUC Coordinator of the Combined Charities Campaign. She stated through his coordination and support of team captains, the campaign within SFPUC achieved the number one position for contributions for the second year in a row. She shared that overall participation amongst the 1800+ SFPUC employees was 34%, with 621 SFPUC members contributing a total of $123,000. She stated the outstanding departments with 100% participation were Information Technology Services, Communications and Real Estate Services. She stated the generosity of employees was incredible and attributed it to Mr. Brandon's leadership and active team of captains. She asked the Commission to join her in congratulating Mr. Brandon for his successful effort.

President Normandy, on behalf of the Commission, saluted and thanked Mr. Brandon for his wonderful work.

Mr. Brandon stated appointing General Manager Martel as an Honorary Captain made the campaign effort work. He stated her participation and communications to staff through *SFPUC Currents* and e-mail were helpful. Mr. Brandon introduced and thanked Mr. Toye Moses, Southeast Facility; Ms. Diane Parker, last year's coordinator; and Ben Chan, Communications division captain. Mr. Brandon thanked the Commission, General Manager and the staff for the "exquisite honor." He acknowledged the generosity of the many contributors, amongst them 80 leadership donors, each contributing over $500.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0009: Honor Mr. Everett Brandon for his outstanding leadership and public service as the SFPUC Combined Charities Campaign Coordinator for 2003.

12. Discussion and possible action related to San Mateo County trail construction.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0010: Authorize the General Manager of Public Utilities to extend San Mateo County's completion date for trail construction an additional 3 years.

13. Discussion and possible action related to Agreement No. CS-524.

Mr. Kelly explained that the payment for Year 2 of the performance fee to Water Infrastructure Partners (WIP) was only for the second half of the year, as the first half of the year was paid to San Francisco Water Alliance (SFWA). He stated performance fees were written into the contract and that the distribution between base and performance fees shifted over the years, with the larger percentage going to the performance fee over time. He stated performance was determined at the end of the year when task order managers evaluated the WIP performance. He stated for Year 3, the BOS requested an independent review panel verify the evaluations. He stated a consultant was hired and their evaluation found the performance was just and within the terms of the contract.

President Normandy stated it was obvious WIP had met the performance requirements from the contents in the packet. He noted the performance fees were small in regard to the overall contract. He proceeded to address broad aspects regarding WIP. He acknowledged delays in Years 1-2, and stated the concern that WIP, now graduating to Year 4, would meet the expectations of the CIP and earn more of the performance fees.

Mr. Kelly stated he would present WIP's list of accomplishments in his next update. He stated the WIP contract had one more year and the focus was on the transition from WIP into City staff or some other contracting vehicle.

President Normandy requested 2 perspectives in future reports, beginning with the next report. 1) Did SFPUC give WIP sufficient opportunity to achieve SFPUC's goals? He wanted to know if SFPUC gave work to WIP in such a way to set them up to not fully achieve the expected performance. He stated when the Commission put out the RFP several years ago, the expectation of a program management group was to be a sounding board and an objective group that would tell SFPUC what was being done right or wrong and give direction on priorities. 2) How did minority and local businesses participate in this phase of the work done by WIP and how did they benefit from the program? He stated this was a key objective in setting up the program management consulting effort.

Responding to Mr. Kelly mentioning a transition, President Normandy stated the Commission wanted to know if a position had been created in which the real work was done in Years 3-4, and that the consultant had not been given the full benefit of performing for SFPUC. *He requested the answer be made in a subsequent report.* President Normandy stated with the approach of the transition, the Commission would consider: 1) Should SFPUC continue with WIP? 2) Should SFPUC transition more work in-house? 3) Should SFPUC transition to another group? He stated before considering the options, it was important for SFPUC to know if it had done justice and right by WIP, and if not, SFPUC should be candid about its shortcomings.

Commissioner Brooks commented that often in City government, evaluations consisted of what the City thought was right and did not ask consultants for

evaluations. He stated he would like the consultants to do a debrief on what they felt the City could do to improve the process for future projects, which would help SFPUC improve. He commented that he was impressed with the goals achieved and the participation of local and minority businesses.

Commissioner Caen inquired on the completion of 5 audits by the City Controller. She stated she had #4, but was uncertain about #5. Mr. Kelly explained #5 was done before #4, because #4 happened when the contract transitioned from SFWA to WIP. He stated # 4 was finished after #5 was completed.

Commissioner Caen requested that all evaluations be provided for the Commission. Mr. Kelly agreed to do so.

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0011: Authorize the General Manager of Public Utilities to pay Contract Year 2 and Year 3 performance fees to the Water Infrastructure Partners for Agreement No. CS-524, Program Management Services, in the amount of $115,335.46 for Year 2, and not to exceed $345,101.82 for Year 3.

President Normandy took the agenda out of order and called Item 15 before Item 14.

PROFESSIONAL SERVICE CONTRACTS

Award

15. Discussion and possible action related to Agreement No. CS-741.

Moved by Commissioner Brooks, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0012: Approve the selection of Environmental Science Associates (ESA)/Orion Environmental Associates Joint Venture for Agreement No. CS-741, Regional Water System Improvements-Program Environmental Impact Report (PEIR) Services, to provide environmental analysis services for the SFPUC, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement with ESA/Orion Joint Venture for an amount not to exceed $2.5 Million, and with a duration of 30 months.

President Normandy turned the gavel over to Commissioner Caen to conduct the portion of the meeting covering the public hearing on budget proposals.

14. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005.

Ms. Martel stated that Mr. William Berry, Assistant Manager of Business Services, would make the budget presentation and Senior Managers were available to answer questions. Ms. Martel explained the budget documents included the schedule for the budget process and an overview of the budget would be presented today, with highlights on the new proposals. Thereafter, staff would be available at all hearings to explain in detail the new proposals, present status reports on the previous years proposals and report on how these proposals were implemented. She stated the budget needed to be approved and finalized by the Commission no later than February 12, and staff must present the budget to the Controller by February 20. She stated the budget would be, thereafter, forwarded to the Mayor's Office and the Mayor would submit his budget to the BOS by May 3. She stated the BOS would then conduct a month-long review of the entire City budget by departments and that the final budget would be adopted and implemented by July 1, 2004.

Ms. Martel stated the budget package also included an executive summary of the budget, which consolidated all the new proposals, laid out all the costs associated with them, included information related to all of the proposals submitted by staff, and then presented the Commission with her recommendations for Commission approval. She stated the summary outlined the intent of the budget and should also be considered a draft that would be subject to the Commissions revisions.

President Normandy stated that he and Commissioner Werbach would not be at the February 3 hearing and asked to confirm that there would still be a quorum for the next budget hearing. Having ascertained that there would be a quorum on February 3, President Normandy stated their absence did not mean noninvolvement and they would be in close contact with Commissioner Caen.

Ms. Martel stated an organization chart was included in the budget materials. She stated a revised executive summary was given to the Commission and the basic difference was the amount indicated in the opening paragraph changed from a budget request total of $490 million to $495.2 million for the operating and capital budgets due to an increase on the Sunol Niles Dam Removal project. Ms. Martel noted the budget represented a more austere approach than previous years, regardless of the funding from the Proposition A bonds. She stated because of the tough economic times facing the City and its departments, SFPUC would be holding the line on expenses and positions as much as possible, while still supporting the CIP.

Ms. Martel further stated some of last years budget themes would continue this year—specifically budget items affecting the reorganization and a priority shift in the SFPUC, focusing more on accountability in establishing efficient and effective management within the SFPUC. She stated these would include identifying systems, processes and other internal improvements necessary to carry out the challenges of the CIP, the Clean Water Master Plan (CWMP), utilizing solutions found during the performance assessment and initiating the Strategic Business Plan and reorganization. Ms. Martel pointed out there were many needs and not all of them could be funded until rates were increased.

With regard to Hetch Hetchy Water & Power (HHWP), Ms. Martel explained that the 2001 energy crisis depleted the reserves and HHWP had not recovered to its pre-2001 levels. She stated HHWP power costs would be higher and resources had been used to implement energy efficiency and renewables projects. She stated a consultant was hired to perform a risk assessment of HHWP, to make recommendations and that changes were being implemented.

Ms. Martel reported that the Water Enterprise (WE) was financially sound with adequate reserves. She explained the primary focus for the WE was the implementation of the CIP and recent improvements included a retooling of the engineering, design and construction management functions.

Ms. Martel stated a supplemental was pending before the BOS and the commercial paper program was reinstated. She stated Proposition H, the rate freeze imposed in 1998, would sunset in 2006. She noted that the WE FY2005 budget included a number of revenue-funded projects very much in keeping with last year's requests.

Ms. Martel stated the financial health of the Clean Water Enterprise (CWE) continued to deteriorate even though expenditures had been curtailed. Ms. Martel expressed optimism that a rate hike would be approved before the end of FY2004. Ms. Martel explained that the FY2005 CWE budget currently incorporated new project expenses, but that the projects would be funded only if there was a rate increase or if a Controller's audit found residual funds from past projects.

Mr. Berry presented a PowerPoint presentation on the SFPUC enterprises.

Starting with HHWP, Mr. Berry stated the beginning fund balance for FY2004 was $19,220,000 and an ending fund balance of $18,010,000 was projected. Mr. Berry noted that the balance, per the Commission's policy directive when passing the Long Range Financial Plan, should be about $24 million. He stated the ending fund balance for FY2005 should be $8,956,000.

Mr. Berry stated the beginning fund balance for the WE for FY2004 was $40,385,000 and an ending fund balance of $61,883,000 was projected. He stated the ending fund balance for FY2005 should be $52,153,000, which was well in

excess of the amount targeted. Mr. Berry pointed out there was a $5.5 million supplemental appropriation request that was pending before the BOS and a settlement agreement with the Bay Area Water Supply & Conservations Agency customers for about $2 million. Mr. Berry stated that the approval of any of these two items would result in a smaller ending fund balance.

Mr. Berry next turned to the financial outlook for the CWE and stated the beginning fund balance for FY2004 was $20,793,000 and the ending fund balance was projected to be $16,226,000. Mr. Berry explained the $16 million ddid not include $11,211,000 in cost containment measures. He stated inclusion of the cost containment measures would bring the fund balance down to $5 million for the end of FY 2004, which was considered precariously low. He stated the fund balance for the end of FY2005 was expected to be $13,280,000, which also did not include the $11 million in cost containment measures. Mr. Berry explained the fund balance should be $25 million and detailed efforts made to improve the financial health of the CWE, such as preventing expenses from going up, refunding all of the bonds last year, which saved $30 million, resulting in lowering the debt service.

Mr. Berry continued his presentation with a chart detailing the FY2005 Operating Budget. He explained that the SFPUC currently had in excess of 1,960 positions. For FY2005, 50.5 new positions were requested for approval.

Commissioner Brooks noted the chart showed the General Manager's Office currently had 29 positions and was asking for 10 more and wanted more information on the positions. Ms. Martel replied that 6 of the positions were for Class 1312 Public Relations Officers who were expected to be support staff to the teams led by the Class 5408 Outreach Coordinator positions added this year. She stated the teams included the CIP, Local Water, Regional Water, CWMP, and Power Projects.

Commissioner Brooks asked if public relations and communications services would continue to be contracted out. Ms. Martel replied the use of outside consultants had been reduced. She further explained the remaining four positions were for interns in the Communications Division. She stated these positions were added as a response to public input that the SFPUC did not provide adequate opportunities for young people that could potentially lead to future employment at the SFPUC. Ms. Martel stated one more position was added to Planning for an archival project which would consolidate all the various archives throughout the SFPUC into one archive where everything related to historic documents, photographs and a variety of other important historical documents would be indexed, codified, digitized and accessible to anyone within the SFPUC who needed that information and/or anyone from the outside who was requesting information from the SFPUC.

Commissioner Werbach asked what the HHWP reserves were prior to 2001. Mr. Berry answered he didn't have the information, but that the reserves were higher than they are now. He explained the reserves went down as a result of the power

crisis and the trend was to go down since the power market was more stable now. He noted that the Commission and the BOS could help determine the trend by decisions they made regarding the amount of HHWP capital projects funded. Commissioner Werbach asked what the cost of the Calpine contract would be this year. Mr. Berry answered he didn't have a precise number for this, but the amount was not changing from last year since it was a five-year contract.

Ms. Martel stated she was taking notes and staff would provide the Commission with responses to all the questions raised.

Commissioner Werbach asked if the budget included the issuing of the solar revenue bonds. Mr. Berry responded the solar program was under study and that one of the problems with solar projects was they did not pay for themselves. He explained that as bonds are issued, revenue must be recovered to pay for them. Currently, he stated, solar energy did not pay for itself and it was difficult to fashion a solar bond program that would generate sufficient revenue from those assets to cover the debt service on the bonds. Mr. Berry acknowledged that clearly, the voters approved a solar bond program, but the SFPUC was not ready to go forward with issuing bonds.

Commissioner Werbach asked what needed to be done with the budget so that revenue bonds could be issued. Mr. Berry replied that a specific set of projects was needed that Finance could quantify the financial issues and structure security for the bonds so the debt service could be paid. He stated if the costs could not be recovered, then the project had to be subsidized or paid from somewhere else.

Commissioner Werbach expressed dismay that the solar bonds were not part of this budget, despite the will of the voters and the expectations of the BOS. Ms. Martel replied the SFPUC had been advised by Supervisor Tom Ammiano and other solar proponents to focus on a series of solar projects involving commercial and residential buildings. She stated Mr. Ed Smeloff, Assistant General Manager of Power Policy, and his staff were working with the Department of Environment (DOE) to come up with the projects and the funding. Ms. Martel further explained that the reserves in HHWP did not allow adequate resources for funding many more energy efficiency programs without impacting other planned projects.

Mr. Berry stated that solar bonds could be issued even if it was not in the budget. He stated the solar bonds were City bonds, not HHWP bonds and could be structured so it wouldn't matter if they affected HHWP or not. He noted that given a set of projects and coming up with a financing plan, SFPUC could go to the Commission or BOS for a supplemental appropriation. Mr. Berry stated that it was the lack of a plan that was holding up issuing solar bonds, not the budget. Commissioner Werbach stated the public is frustrated the solar bonds have not been issued and suggested a consultant be hired to write a business plan. He stated unequivocally that he will not be happy with this budget unless he sees a plan to bring the bonds forward and follow voter intent.

Commissioner Caen asked if there were any solar proposals that were among the rejected proposals. Ms. Martel stated there was not and a proposal was in the works to address the BOS directive regarding funding commercial and residential solar projects. She further stated there were projects in the Mayor's Energy Conservation Account (MECA) that were in this budget.

Commissioner Werbach expressed concern that the BOS was attempting to supercede the Proposition B solar revenue bonds for their other initiative and this position needed to be clarified by the BOS. He asked what MECA was funded at this year. Ms. Martel replied MECA was funded out of HHWP at 5%. Mr. Carlos Jacobo, Financial Services Supervising Fiscal Officer, stated the amount this year was $7 million and last year the amount was $15 million.

Commissioner Werbach asked if $7 million was enough for this budget to implement Mayor Gavin Newsom's policy on energy conservation projects. Ms. Martel stated the agency was within the directive of the Mayor's Office by allocating 5% of power revenues toward energy efficiency projects. She further explained the Mayor had not spoken to staff regarding the MECA account, but stated the Mayor would see the budget and could make whatever changes he wanted.

Commissioner Caen asked that this discussion be continued to the next hearing when Mr. Smeloff would be available.

Ms. Martel stated she needed to leave for a 4:30 P.M. meeting and asked Mr. Berry to take her seat and go through the new proposals. She also stated the CIP budget materials would be sent on Thursday.

Commissioner Caen requested that the Operating Budget and new proposals be presented at the next hearing. She returned the gavel to President Normandy for Closed Session.

Staff Recommendation: For discussion only. This item is proposed for continuance to February 3 and 5, 2004 at 1:30 P.M. in Room 402, 1155 Market Street; February 10, 2004 at 1:30 P.M. in Room 400, City Hall; and February 12, 2004 at 1:30 P.M. in Room 402, 1155 Market Street.

CLOSED SESSION

16. Public comments on matters to be discussed in Closed Session.

There were none.

17. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

    Moved by Commissioner Brooks, seconded by Vice President Costello, to assert the attorney-client privilege; passed (5-0) unanimously.

President Normandy called for a break at 4:26 P.M.

Ms. Martel was excused at 4:26 P.M.

The Public Utilities Commission met in Closed Session at 4:32 P.M. to discuss the following matters:

18. Threat to Public Services or Facilities (Government Code Section 54957): (Clayton)

    Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Acting Assistant General Manager of Operations Cheryl Davis, SFPUC Acting Director of HHWP Water Operations Don Larramendy, SFPUC CIP-PM Security Program Kate Read, SFPUC Emergency Planning Coordinator John Rodgers, SFPUC WQB Phil Caskey, and Deputy Sheriff Douglas Novak #1397.

    Consultation with: Sheriff Hennessey concerning security of SFPUC Water and Power Systems.

Ms. Martel returned at 4:40 P.M.

Ms. Martel was excused at 4:55 P.M.

No action was taken.

19. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

    Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, Acting Assistant General Manager of Operations Cheryl Davis, Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

    Existing Litigation: Scott Richard Cameron,
    Litigated Claim No. 03-02720 (02-W-6024-2).

    Moved by Commissioner Brooks, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0013

Following the Closed Session, the Commission reconvened in open session at 5:13 P.M.

20. Announcement following Closed Session.

    President Normandy announced the actions taken during Closed Session. He addressed Commissioner Werbach's concerns regarding the allegation of water contamination last Spring by stating an investigation was conducted which found no contamination or threat to public health, and added further disclosures are not permitted due to security issues.

21. Motion regarding whether to disclose the discussions during Closed Session.

    Moved by Vice President Costello, seconded by Commissioner Werbach, not to disclose the discussions during Closed Session; passed (5-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 5:15 P.M.

Mary Y. Jung
Secretary

SFPUC

WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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AGENDA

SPECIAL MEETING

February 3, 2004
1:30 P.M.
1155 Market Street
Room 402

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance
(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

REGULAR BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103.) (Martel)

   Staff Recommendation: For discussion only. This item is proposed for continuance to February 5, 2004 at 1:30 P.M. in Room 402, 1155 Market Street; February 10, 2004 at 1:30 P.M. in Room 400, City Hall; and February 12, 2004 at 1:30 P.M. in Room 402, 1155 Market Street.

ADJOURNMENT

Gavin Newsom
MAYOR

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MINUTES

February 3, 2004
1:30 P.M.
1155 Market Street
Room 402

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:43 P.M.

2. Roll Call: Present – Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Ryan L. Brooks

   Excused – President E. Dennis Normandy and Commissioner Adam Werbach

3. Public Comments

   There were none.

   Vice President Costello turned the gavel over to Commissioner Caen to preside over the budget hearing.

REGULAR BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005.

   Commissioner Caen began the meeting by requesting that everyone in the hearing room, including SFPUC-related personnel, refrain from discussing budget items in the media. She stated that although the budget hearings were public meetings, the intention was to work through the budget in the hearing process. Commissioner Caen mentioned the spreadsheet was updated on January 27. Noting that the General Manager was delayed, Commissioner Caen asked Mr. William Berry, Assistant General Manager of Business Services, to answer budget questions.

   Commissioner Caen asked about the status of the Rate Fairness Board (RFB). Mr. Berry answered that the RFP would hold its first meeting on February 4 to elect officers and adopt Rules of Order. Mr. Berry stated the members had been presented with the Black & Veatch Sewer Rate Study and had been asked to hold a series of public hearings and forward their recommendations to the Commission. Mr. Berry was hopeful that a rate increase could be implemented by July 1, 2004.

   Commissioner Caen asked about Slide 9 and what the percent (%) sign signified. Mr. Berry explained it represented the percent the new budget had increased from the previous year.

   Ms. Patricia E. Martel, General Manager of Public Utilities arrived at 1:51 P.M. and was asked by Commissioner Caen to present the new proposals.

Ms. Martel explained she would start by highlighting the most significant of the new proposals. She started with the implementation of the Emergency Response Recovery Plan (ERRP) under the Water Enterprise (WE). Ms. Martel stated the plan done last year was detailed and a high priority of the Commission and asked for $2.7 million that would provide for four new positions and allow for the full implementation of the ERRP. She explained that in the post-911 environment, dedicated personnel were needed to take on the new responsibilities of developing the protocols for new and potential threats.

Commissioner Brooks asked if the ERRP was adopted by the Commission and for further details on the use of the $2.7 million. Ms. Martel replied in the affirmative and stated the funding would also be used for equipment, training, computers, and overhead. Ms. Cheryl Davis, Acting General Manager for Operations, stated most of the remaining money was for heavy equipment used in catastrophes.

Commissioner Caen asked how the project, under Tab 1, Proposal 16, was funded under the Capital Improvement Program (CIP) budget. Ms. Martel replied the funding was for pipe and other kinds of materials that would be stored for recovery purposes in emergency situations. .

Ms. Martel highlighted the following proposals:

1) $1.2 - $1.5 million proposal to pay for pipeline work caused by the Caltrain track expansion in San Mateo. Ms. Martel explained this was a legal requirement dating back to 1924.

2) Clean Water (CW) proposal to fund a new position to provide program management support of the Clean Water Master Plan (CWMP). Ms. Martel explained the position was needed to fulfill the Commission's directive to create a new Master Plan over the next 24 to 36 months.

3) Fund one position to coordinate records and archival oversight. Ms. Martel explained the proposal would implement a Commission directive to set up an extensive archive of all of the SFPUC's important documents and photographs, including relocation to one site and an in-depth index.

4) Communications Division proposal to fund new positions to strengthen outreach staffing for the CIP and other major projects and programs, including the peaker plans and electricity reliability projects. Ms. Martel explained that six positions were support positions to the outreach coordinator positions that were funded the previous year. The proposal would also fund one clerical position and four internships.

5) Real Estate Division proposal to fund a right-of-way encroachment and abatement program. Ms. Martel explained the work was currently done by the SFPUC's Land Management and Resources Division and Real Estate. The position would help coordinate and consolidate this work between the two Divisions in a timely manner.

Commissioner Caen asked each bureau head to come forward and explain their proposals.

Ms. Martel stated two proposals to the WE had been added: 1) $1.5 million originally in the CIP had been moved to the WE, and 2) A taste and odor monitoring proposal originally in the Water Quality Bureau (WQB) budget had been replaced with environmental compliance. A mitigation monitoring program was also deleted because it was not required to be budgeted for this year.

Starting with Tab 1, Ms. Mary Jung, Commission Secretary, stated the one position in the Commission Office was a reclassification of the current assistant secretary's position and did not change the number of staff or funding.

Commissioner Caen asked if the CIP outreach proposal could be put in the CIP budget. Ms. Martel explained it could not because the outreach was for all the capital projects.

Ms. Martel stated the last proposal was to fund two graphic designer positions. SFPUC hired two of the graphic designers from San Francisco International Airport when they downsized. She stated SFPUC wanted to retain the positions and fill them permanently instead of on a temporary basis as was currently the case. The proposal did not change the number of staff or funding.

Mr. Michael Carlin, Director of the Strategic and Systems Planning Bureau (SSPB), stated Proposal No. 5 was related to the CIP and would increase staff for environmental review and permitting. Mr. Carlin explained a lot of time would be spent over the next two years moving projects through the environmental review process to comply with State and Federal law and the Local and Federal permitting process. He stated the positions would be charged to the CIP.

Mr. Carlin stated Proposal No. 6 would fund an engineering position to augment the Water Resources Planning staff as they look at alternative and supplemental sources of water.

Ms. Martel stated Proposal No. 7 would fund a Radio Communications Coordinator position. She stated the position would have management oversight responsibility and be responsible and knowledgeable about all of the state-of-the-art communications equipment available and provide oversight within the agency.

Ms. Julie Labonte, CWMP Director, stated Proposal Nos. 8 and 9 asked for funding for a senior-level manager to handle the Treasure Island and Hunter's Point Shipyard redevelopment projects and another to handle the CWMP. She explained an administrative position was also being requested.

Mr. Don Larramendy, Acting Director of Hetch Hetchy Water and Power (HHWP) Operations, stated he had four proposals: 1) To fund four staff positions (custodian, secretary, truck driver, and electrical line worker) to cover gaps in maintenance staff caused by increased square footage of maintenance area and to maintain a five-year inspection program on SFPUC overhead lines; 2) To fund the effort to bring Hetch Hetchy into alignment with various permitting agencies, hazardous waste handling, and storage; 3) To fund equipment at $250,000 for replacement equipment; and (4) To fund a $980,000 increase in funding to the National Park Services to be used primarily for watershed protection and sanitary surveys. The proposal would also pay for the overhead and salary of four additional rangers, their equipment, and a public education program.

Ms. Martel announced she learned, in the last 24 hours, that the President's budget included a new line item for an $8 million rental payment from San Francisco for the Hetch Hetchy Reservoir in Yosemite. Ms. Martel stated this action was a complete surprise to everyone and the SFPUC's Washington lobbyist was working on the matter and had already contacted Congresswoman Nancy Pelosi and U.S. Senator Dianne Feinstein.

Ms. Davis stated she would address Proposal Nos. 16 to 24 for the Water Supply and Treatment (WST) Division. Ms. Davis touched briefly on the ERRP implementation that Ms. Martel covered in the overview. Ms. Davis explained new positions for vehicle and equipment maintenance were needed as more vehicles were added to the fleet because of the CIP. She stated that WST handled the vehicles for the WQB and also the Utilities Engineering Bureau (UEB).

Commissioner Brooks asked if outsourcing had been studied and if a cost analysis was done. Ms. Davis replied it had been looked into and a report on the outsourcing analysis would be provided later.

Ms. Davis described Proposal No. 19 as increased dam fees from the State. She stated Proposal Nos. 20 and 21 would pay for SFPUC's share of the maintenance of the intertie with the Santa Clara Valley Water District and the second intertie that was under construction.

Ms. Davis stated Proposal No. 22 was for the Sunol Valley Water Treatment Plant residuals disposal and was a standard cost of doing business and Proposal No. 23 would pay for maintaining the water quality level during the time period Calaveras Dam was at a reduced level. She stated Proposal No. 24 would fund permits for hazardous materials.

Mr. Kevin Barry, Manager of the City Distribution Division (CDD), stated SFPUC pays the Department of Public Works (DPW) to do work that could be done in-house. He stated the CDD proposals addressed the hiring of an electrician and a light fixture maintenance worker for maintenance and electronic support. Mr. Barry stated the chloramination monitoring and maintenance program required additional staffing to distribute it more effectively.

Mr. Barry stated the SFPUC had almost 1,000 acres of land and Proposal No. 27, the Lands and Landscape Management Program, addressed the neglect of these parks and reservoirs. Mr. Barry next described the Mosquito Abatement Project and stated West Nile Virus would be in the City soon and any areas where there was standing water would be sprayed. Mr. Barry stated that with the new projects online, the CDD budget also asked for a gardener and a janitor position to augment current staff.

Mr. Barry stated Proposal No. 30 asked for one laborer for a directional flushing program associated with the chloramine project, which required more frequent flushing. He stated Proposal No. 31 was for funding fees, licenses, and permits. His last proposal, No. 32, would fund a manager at Water Distribution Operations to coordinate the daily activities within the various groups at CDD and other City departments.

Commissioner Caen stated she noticed Mr. Barry was given less positions than he asked for and asked if CDD could operate with the number proposed. Mr. Barry answered affirmatively because some current CDD staff would be reassigned to make up for the shortage.

Ms. Martel asked Mr. Harlan Kelly, Assistant General Manager of Infrastructure, to make his presentation out of order so he could go to a meeting with Supervisor Aaron Peskin.

Mr. Kelly stated he had three proposals: 1) Proposal No. 44 requested funding for three utility specialists for scheduling purposes. He noted the scheduling was currently done by consultants. 2) Proposal No. 45 would fund a position that would focus on the reports needed for the stakeholders. 3) The last proposal was a bookkeeping measure that moves part of the budget which is allocated to overhead costs over to a programmatic part.

Mr. Tom Franza, Manager of Water Pollution Control, came forward and asked for questions on his two proposals. There were none.

Mr. Steve Medbery, Manager of the Bureau of Environmental Regulation and Management, stated he had only one proposal since Proposal No. 36, for mitigation and monitoring, had been deleted. He stated Proposal No. 35 was for mercury remediation.

Commissioner Brooks asked if faulty equipment caused mercury leakage. Mr. Medbery responded that mercury was in switches and other equipment and the Bureau had been proactive in addressing these questions in their facilities. Commissioner Brooks asked if the manufacturers should be covering this. Mr. Medbery replied that they would not because of the length of time and damage.

Mr. Andrew DeGraca, Manager of WQB, stated he had three proposals which related to water-compliant data management, environmental compliance, and an additional lab office assistant.

Mr. Carlos Jacobo, Budget Manager of Financial Services, stated there were two proposals in Financial Services: 1) Proposal No. 40 would provide for asset management support and invoice processing, both related to the CIP. 2) Proposal No. 41 would fund three positions for processing invoices.

Commissioner Caen asked if these positions could be funded through the CIP. Mr. Jacobo stated these were overall SFPUC programs and could not be funded through the CIP.

Commissioner Brooks asked to revisit Proposal No. 35 regarding mercury remediation and asked the City Attorney if the City had ever gone after manufacturers for faulty equipment. Ms. Vicki Clayton, Deputy City Attorney, answered affirmatively and stated decisions were made based upon the circumstances of each case. She stated she could talk to Mr. Medbery about this.

Ms. Martel next addressed the proposal in the Real Estate Division and noted this was already covered.

Mr. Hans Loffeld, Manager of the Information Technology Services, stated Proposal No. 43 requested $250,000 for the development of a mobile computing system to enable computer capabilities on laptops for crews out in the field. He stated an additional $100,000 was needed to supplement Geographic Information Systems Development.

Ms. Martel addressed Proposal No. 46, for the Clean Water Program (CWP), and stated the funding was for fire alarms at the Southeast Facility where there was a children's daycare.

Commissioner Caen noted that 57.5 new positions were being requested and asked how many there were last year. Ms. Martel stated there were more last year and that the CIP alone added 60 positions. Commissioner Caen asked if all the positions were filled. Ms. Martel replied that some had been filled and some were in the process of being filled. Ms. Martel noted that she considered the vacancies when reviewing the new position requests, and some reductions were made based on this.

Commissioner Caen called for at 10-minute break at 3:12 P.M.

The meeting reconvened at 3:26 P.M.

Commissioner Caen asked that bureau heads address the highlights of their proposals from FY 2003-2004 under Tab 10.

Mr. Larramendy stated the ten new positions are in the process of being filled and were doing the work proposed last year. He stated he could not speak for the proposals of Mr. Ed Smeloff, Assistant General Manager of Power Planning and Policy. It was noted that Mr. Smeloff was not present due to being at a negotiating meeting. Mr. Fred Schwartz, Manager of Water and Power Resources, represented Mr. Smeloff and stated their hiring was completed and the division wa well poised to move forward on clean energy and clear air policies.

Ms. Marla Jurosek, Acting General Manager of HHWP, stated HHWP was in the third round of recruitment for last year's 5602 position. She noted it had been difficult to fill the position because of the location in Moccasin. She stated all other positions and equipment requested were in the process of being hired or purchased.

Ms. Davis stated WST had made significant progress in fuel management and in environmental protection. She stated there were always unfilled positions, but hiring was proceeding.

Commissioner Brooks asked why the SFPUC did not work order money to DPW for tree topping. Mr. Joe Naras, Watershed Resources Manager of WST, stated the SFPUC did work order money to DPW for this, but the work in the proposal was for rural forest management outside of San Francisco.

Mr. Barry stated last year's proposals allowed for fleet and equipment maintenance services to be handled at a significant dollar savings, allowed for the removal of 250 trees and a replanting effort at College Hill reservoir, conducted a leak survey using newer technology to discover leaks before streets caved in or there was property damage, instituted the chloramination unidirectional flushing program, and screened for mercury contamination.

Mr. Franza stated the CW Enterprise's results were mixed. He stated the positions were being filled, but work orders had not gone to DPW to repair the sewers because the work was not getting done. He stated CW Enterprise had done a good job with chemicals for odor control.

Ms. Martel updated the Commission on the positions for the Communications Division. She stated that the selections had been made and reminded the audience that the work was originally done by outside consultants through the Water Infrastructure Partners (WIP) contract and the positions were now in-house.

Ms. Martel next updated the Commission on the archival preservation project and the possibility of using the Baker Street Pump Station as the potential site for this. Ms. Martel also noted that the Special Projects Coordinator position, while filled last January, was currently empty because the person left. She stated the job would be filled again, but for the present, Ms. Paula Kehoe, her Chief of Staff, was performing the work. She also informed the Commission that Edelstein & Gilbert had been selected as the Sacramento lobbyists.

Ms. Martel updated the Commission on the status of the CIP organization and stated Mr. Kelly had reorganized his Infrastructure group to include the Utilities Engineering Bureau. She stated the SFPUC was moving ahead with the Programmatic Environmental Impact Report (PEIR) and all the ancillary preliminary planning needed to move ahead. Overall, she noted, a great deal of progress had been made this year on the overall CIP implementation.

Ms. Therese Madden, Director of Human Resources, updated the Commission on the Executive Education proposal and stated it was on track and staff had been hired. She stated research had been conducted on the best available programs and a revised program wouldl be presented to the General Manager shortly.

Mr. Medbery stated BERM had a reduction in salary savings, which allowed for the hiring of two water quality technicians and a regulatory specialist. He stated the Storm Water Phase II Program was submitted to the Regional Board in September and had received a positive reaction to the plan and it was now going forward through their public posting process. Lastly, he reported BERM was about to hire an industrial hygiene person to provide health and safety support to the capital projects.

Mr. Carlin stated SSPB had hired a hydrologist and had done a good job on ground water management. He explained this work was being shifted from the SSPB operating budget to the CIP budget because there is a project called "Developing Ground Water in San Francisco" in the CIP budget. Mr. Carlin also stated rain gage work was done and SSPB had been an active participant in the Bay Delta Program.

Mr. DeGraca stated there were eight new programs and all the positions were hired except for two of the classifications, which were expected to be hired soon. He stated all the purchasing had been completed. He also stated the outside consultants had been hired and they were working with chloramines and other projects.

Mr. Jacobo spoke on behalf of Business Services and stated an RFP had been developed for asset management and they were awaiting a strategic plan from the General Manager's Office before moving forward. He also stated an internal audit program was being planned for the SFPUC. Regarding the seven accounting

positions, only three had been filled and the other four were still in process. He reported that the Owner-Controller Insurance Program (OCIP) positions had been filled and there are 44 construction contracts under the program.

Ms. Jurosek stated the risk management contract was awarded to R.W. Beck. She stated they had done the Phase I, which was an assessment of the risks facing HHWP (market, credit, weather, system, facility, operational, and institutional risks). She stated Phase II was about to start and would identify models and strategies to help deal with and mitigate the risks associated with the different areas. She stated a plan would then be developed to hedge the risks.

Commissioner Brooks stated the Airport rejected an OCIP program and asked if OCIP programs were successful. Mr. Jacobo replied there was a City-wide committee looking at the overall OCIP programs, not just the SFPUC. He explained SFPUC learned from the Airport and implemented procedures to make sure the same mistakes were not made. He stated the program was set to expire in February 2006.

Mr. Loffeld stated the Electronic Document Management System was a central repository for documents and had been implemented successfully in Moccasin and was now being implemented at WQB and BERM. He also stated there was a computer replacement program in place and a SCADA system implemented last year. Mr. Loffeld also reported on money saved buying Microsoft software licenses, the GIS system, an enhanced financial management system, and progress on upgrading a time-keeping system for Human Resources.

Mr. Dowd reported his project continued to fund the services of Mr. Bruce Lymburn to promote the sales of surplus property. He expected a few of the properties to generate additional revenues soon.

Mr. Bob Wang, Inspector from Customer Services, reported that a consultant was hired to do an in-house survey of their employees and had identified shortcomings and had provided training to staff to address them. He stated an additional staff person had also been hired to enhance the training program and they were actively recruiting for a Water Conservation Administrator.

Mr. Smeloff stated two new managers were hired for developing new resources and one of them was brought in to oversee the development of the new power plants. The other position was filled to focus on Community Choice Aggregation, which deals with the City taking on more responsibility in acquiring electricity resources to sell to residential and business customers. He stated there was still one vacant position for the energy efficiency area.

Mr. Smeloff stated the service study for HHWP was not done and the funds were used instead to support the litigation and negotiations with the irrigation districts in Modesto and Turlock. Mr. Smeloff stated a cost of service study was still needed at HHWP.

Mr. Smeloff stated for FY 2004-05, he is was requesting three new positions for the Power Policy group to work on the Generation Solar Program, Energy Efficiency, and a five-year master plan for implementing energy efficiency at the Airport, the Port, and the Department of Parking and Traffic.

Commissioner Caen noted it was 4:45 P.M. and asked that the remainder of the Budget Binder be reviewed by Tab number. The Commissioners were asked to interject as they had questions.

Mr. John Ummel, from the Bay Area Water Supply and Conservation Agency, stated that when staff or new expenses were added to WST, the suburban customers picked up 70% of the costs and when staff and equipment were added to the Bureaus, the wholesale customers picked up 30% of the costs. Mr. Ummel stated he would have two sets of questions ready this week; one addressing general topics and the other addressing specific topics.

Starting with Tab No. 2, Commission Caen asked for clarification on the new positions. On Tab No. 3, Commissioner Caen asked about the high cost of overtime. Ms. Martel explained it was due to Powerhouse operations and the additional staffing that was needed, but not yet hired. She stated it should be reduced this year by hiring.

On Tab No. 4 and 5, there were no questions. On Tab No. 6, Mr. Barry of CDD was asked to address the overtime charges. He stated they were attempting to reduce overtime wherever possible.

On Tab Nos. 7, 8, 9, and 10, the tape was inaudible. There were no questions on Tab Nos. 11, 12, 13, 14, 15, 16, and 17.

Public Comment:

Mr. Emeric Kalman, San Francisco resident, asked that a copy of the Budget be available on the outside table for the public to review.

Commissioner Caen requested the Commission Secretary to provide this in the future.

Commissioner Caen continued the meeting to February 5th.

Staff Recommendation: For discussion only. This item is proposed for continuance to February 5, 2004 at 1:30 P.M. in Room 402, 1155 Market Street; February 10, 2004 at 1:30 P.M. in Room 400, City Hall; and February 12, 2004 at 1:30 P.M. in Room 402, 1155 Market Street.

There being no further business to discuss, the meeting was adjourned at 4:50 P.M.

Mary Y. Jung
Secretary

SFPUC

WATER
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WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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AGENDA

SPECIAL MEETING

February 5, 2004
1:30 P.M.
1155 Market Street
Room 402

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance
(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

REGULAR BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103.) (Martel)

   Staff Recommendation: For discussion only. This item is proposed for continuance to February 10, 2004 at 1:30 P.M. in Room 400, City Hall and February 12, 2004 at 1:30 P.M. in Room 402, 1155 Market Street.

ADJOURNMENT

SFPUC

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CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

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MINUTES

February 5, 2004
1:30 P.M.
1155 Market Street
Room 402

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:36 P.M.

2. Roll Call: Present –Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks

   Excused – President E. Dennis Normandy

3. Public Comments

   There was no public comment.

REGULAR BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005.

   Vice President Costello turned the gavel over to Commissioner Caen, who proceeded to chair the budget hearing.

   Commissioner Caen started the hearing by announcing that all the materials would be reviewed today. She also restated her request from the February 3rd hearing that Commissioners and SFPUC staff not talk to the media during the process of putting the budget together. Commissioner Werbach asked if the statement was a direct reference to him. Commissioner Caen replied it was a general reference to everybody and Commissioner Werbach disagreed. Vice President Costello stated the same statement had been made regarding the media at the previous meeting that Commissioner Werbach had not attended.

   Commissioner Caen continued the review of the Operating Budget with Tab No. 18. She stated the Tab contained the new proposals that were not accepted into the budget and stated she would not review this section until the next budget hearing on Tuesday, February 10th. Commissioner Caen asked about the status of the answers to the questions raised by the Bay Area Water Supply & Conservation Agency (BAWSCA).

   Ms. Patricia E. Martel, General Manager of Public Utilities, replied staff was still working on the replies, as several of the questions required more research to provide an adequate response. She stated a complete reply would be available before the Tuesday hearing. Ms. Martel started the review of the budget by going over the list of questions from the Commission.

Ms. Martel stated the first question from the Commission asked for information on the Communications budget. Ms. Martel explained that $450,000 of the communications budget was contracted out for professional services in FY 2004. She stated that $193,000 of this amount had been reduced from the professional services budget because of the additional positions added to the Communications Division.

Commissioner Brooks asked if this meant SFPUC would no longer be outsourcing this work and that it would be brought in-house. Ms. Martel replied the goal was to have the majority of the work done in-house, consistent with the previous Commission directive that the Communications Division should be developing its own in-house capability with staff who were familiar with the operations and could more effectively produce materials. She stated there would still be instances where outside assistance would be needed if multiple projects were being worked on simultaneously.

Ms. Martel stated the second question asked was about the Hetch-Hetchy Water & Power (HHWP) reserves and what the reserve levels were prior to the 2001 energy crisis and after the crisis. Commissioner Werbach asked about the Reserve policy and what the rationale was for the 25% reserve.

Ms. Martel replied the policy was approved as part of the Capital Improvement Program (CIP) for the HHWP system and that 25%was considered a prudent business practice and within the industry standard. She stated that sufficient reserves would enhance the SFPUC's overall credit rating should SFPUC issue bonds in the future.

Commissioner Werbach pointed out that the 25% reserve was not being met and asked Ms. Martel about her comfort level with this. Ms. Martel stated she would prefer that reserve levels be met, but this was not always possible due to the critical choices that had to be made to fund work that could not be delayed. Ms. Martel pointed out that the intent of the policy was to reach the target over a period of time, recognizing that the 25% target would not be met each year.

Ms. Marla Jurosek, Acting General Manager of HHWP, next replied to the question about the components of the power purchase budget allocation. She reviewed an attachment (C), which included all the fees the SFPUC paid to PG&E under the interconnection agreement, noting that the items were pre-fixed under the contract. Also included were the Western System Power Pool (WSPP) purchases used to make spot-market purchases and tariffs imposed by the International Organization for Standardization.

Commissioner Werbach asked why the WSPP purchases went down so dramatically. Ms. Jurosek replied that purchases overall went down and the contract reflected the termination of one of the Irrigation District contracts in mid-

February. *Commissioner Werbach asked for a briefing regarding litigation in Closed session.*

Ms. Martel continued to the next question regarding identifying the list of solar projects funded in FY 2003 and 2004 and what was being proposed for FY 2005. Commissioner Werbach interjected his solar question was not related to providing a list of projects, but instead was asking what it would take to issue solar bonds. He followed up by asking if the list of Mayor's Energy Conservation Account (MECA) projects was in line with what the new Mayor has envisioned for the City.

Ms. Martel replied she was awaiting direction from the Mayor's Office on what to include. Commissioner Werbach countered that SFPUC should not wait and should be more proactive. Ms. Martel asked Mr. Ed Smeloff, Assistant General Manager of Power Policy, Planning and Resource Development, to respond to Commissioner Werbach's query.

Mr. Smeloff stated the Mayor had issued various position papers and the one that related to Clean Air and Clean Energy stipulated that 5% of the revenues collected by HHWP from the sale of electricity be targeted to energy efficiency and renewable energy projects. Mr. Smeloff affirmed the FY 2005 amount (projected $5.25 million) was in the budget and allocated to various energy efficiency and solar projects. He then listed a number of projects the SFPUC had funded throughout the City and throughout various City departments.

Vice President Costello commented there were many proposals submitted during the previous Mayor's Administration and many of those were current and still in effect.

Ms. Martel reiterated the FY 2005 budget was in line with what Mayor Gavin Newsom outlined in his broad position papers. She also stated Mr. Smeloff's division had developed a long list of projects to be funded, but the resources were limited for funding them all, so choices had to be made.

Commissioner Brooks stated the questions asked by Commissioner Werbach need to be addressed in the context of the budget and should not wait. He stated he would like to see more detail.

Commissioner Werbach asked for an analysis of "where we were and where we weren't." He stated he did not have enough information to make a decision on the budget to answer the question: "Does this budget follow the vision that the Mayor has set out for the City?" He stated he would like to see an analysis before making the choices on which projects to fund.

Commissioner Caen stated the financial situation was different from when the first directives came down from the Mayor's Office. *She asked that further review of this be done during the HHWP budget review.*

Ms. Martel reviewed the budget process again, stating the process required the Commission to transmit a budget to the Mayor's Budget Office. She explained the Mayor then reviewed it and could add or delete whatever projects he would like. She stated this occurred during detailed conversations between SFPUC staff and the Mayor's staff.

Commissioner Caen thanked staff for their work and noted that every department, except one, had a decrease from the original budget. She asked Ms. Martel to continue the review and to move to the CIP binder with the revenue-funded projects.

Ms. Martel reviewed a list of the materials sent out for the meeting: 1) revised summary of all the new proposals, 2) revised summary of the Clean Water Enterprises (CWE) capital projects, and 3) a data sheet related to an auxiliary sewer project for the Sunnydale area. She stated that all capital projects should be reviewed and started with an overview of the non-CIP funded projects, which totalled $107 million.

Ms. Martel explained the new project, the Sunnydale Auxiliary Sewer, had long-standing problems and needed to be addressed in this budget for $3 million. She stated the project was expected to eventually cost $18 million. Commissioner Caen asked where the funding was coming from. Mr. Bill Berry, Assistant General Manager of Business Services, replied Finance was going through a process with the Controller's Office to identify unused funds from completed projects, including the interest earnings. He explained these funds could only be used for capital projects and could not be used for operating expenses.

Commissioner Brooks asked Ms. Vicki Clayton, Deputy City Attorney, if bond-issued money could be used for projects not in the original bond financing. Ms. Clayton replied bonds were usually issued with a broad definition of how they would be used. She noted that Mr. Berry did state a review was being done to ensure that the funding met the legal requirements.

Mr. Berry added that CWE bonds were secured by the system and not by individual projects, so the money was not locked into a specific set of projects. He stated the CWE could also issue bonds for this project if the funding was not available.

Ms. Martel turned to the binder and referred to Tab No. 1, for HHWP. Commissioner Caen asked that Ms. Martel go through the binder page by page and then the Commissioners could ask questions when necessary.

Ms. Martel started with the San Joaquin Pipeline Repair and Replacement project. Commissioner Caen stated there was not a question on repair and replacement, but she did have a question about the utility undergrounding done in concert with

PG&E. Ms. Jurosek explained the Utility Underground Program was a result of the 1997 Master Settlement between PG&E and the City. She stated PG&E agreed to create 37 utility-undergrounding districts, consisting of 44.84 miles of undergrounding. She stated as PG&E replaced their gas lines, they also undergrounded their utility lines and removed their utility poles. Ms. Jurosek stated the City then replaced the streetlights.

The next project questioned related to the Watershed Property Purchases, which would require the City to purchase some of the property adjacent to the Priest Watershed. Commissioner Brooks asked if it would be possible to swap property instead of purchasing it. Mr. Don Larramendy, Acting Director of Water Operations – HHWP, stated the situation was a complicated water rights problem and that the SFPUC's Real Estate Division and the City's Real Estate Department determined that the quickest and cleanest way to solve the problem was to buy the property, take the rights and resell it.

Ms. Martel next reviewed the energy efficiency projects. Commissioner Caen stated it was the directive of the Commission to concentrate more on trying to increase hydro-electricity and to increase storage for HHWP, including solar energy projects. Mr. Smeloff started by reviewing the 2001 Solar Bond Measure and described the Moscone Solar Project extensively and the methods used to complete project off. He continued with a brief overview of the other solar projects initiated and budgeted for FY 2005.

Commissioner Caen noted that the Solar Bonds were a City obligation, not an SFPUC one. *She asked Mr. Smeloff to address the Moscone reimbursement schedule at the next budget hearing.* Mr. Smeloff agreed to this and also stated he believed the Mayor and the Board of Supervisors (BOS) were looking to the SFPUC as the agency that will implement the solar bonds. Mr. Smeloff also stated that the BOS, through their Generation Solar Ordinance, directed HHWP to develop a business plan for the purpose of obtaining a credit rating and going out and borrowing funds for additional energy efficiency and renewable energy projects.

Commissioner Brooks asked if the projects would pay for themselves through State funding and if the funding was guaranteed as grants or low-interest loans. Mr. Smeloff replied SFPUC qualified to participate in the program and they were available for four years and were currently undersubscribed. He also informed the Commission that the California Energy Commission currently had a low-interest program at 3.95% for solar and energy efficiency projects and qualified a project at the Southeast Water Treatment Plant for this loan. Mr. Smeloff explained that once the project was completed, the State would reimburse the City and then SFPUC could pay back the low-interest loan over a 15-year period.

Commissioner Brooks asked if all the projects listed would pay for themselves in 15 years. Mr. Smeloff stated many would be reimbursed in efficiency was less than 15 years.

Commissioner Werbach stated his appreciation for the amount of time spent talking about these projects.

Commissioner Caen asked to see the financials on the Moscone Project and some of the other projects. Mr. Smeloff agreed to provide the information.

Commissioner Brooks asked if the Mayor's Finance Office approved of the financing and if the projects only work when the SFPUC receives the benefit of the enterprise rates. Mr. Smeloff replied the projects work better with enterprise rates, and not as well with general fund departments. He further stated the Finance Office had given direction for the SFPUC to come up with a business plan for getting a credit rating for HHWP, but unfortunately, the plan had been held up.

Commissioner Werbach asked what the schedule was for the business plan. Mr. Smeloff replied the business plan needed to be a HHWP-wide plan and would be a significant endeavor for the SFPUC, with input from the Operating Division, the General Manager's Office and the Bureau of Finance.

Commissioner Werbach stated his comfort level with the projects in the budget, but believed the business plan was necessary for scaling up the number of projects. Commissioner Brooks stated he wanted each project to have a detailed business plan to prove that they could work.

In reply to Commissioner Brooks' comment, Mr. Smeloff stated that every major project was subject to financial analysis and scrutiny.

Commission Caen asked why there was not a business plan, noting the Finance Office asked for one 1.5 years ago. Mr. Smeloff replied that the Bureau of Financial Services was given the lead to develop the business plan and the Director of Financial Services decided to put the business plan on hold and not have staff move forward on it until the performance assessment was completed.

Commissioner Caen stated she had sat on the Commission for seven years and remembered asking for a HHWP business plan for at least five of those years. Mr. Smeloff replied he was not the Manager for HHWP and did not have direction from the General Manager to put together a plan.

Ms. Martel proceeded to review the projects under Tab No. 2. Commissioner Caen asked about the Peninsula Sportsman's Club Remediation Project and asked if SFPUC had to legally move ahead with the project this year. Mr. Steven Medbery, Manager of the Bureau of Environmental Regulation and Management, stated

SFPUC was under a clean-up and abatement order from the Regional Water Quality Control Board.

Ms. Martel reviewed $17 million worth of projects at the North Point Pump Station that needed immediate attention or the facility could face a potential failure. Ms. Martel believed the Clean Water Master Plan would take 2-3 years to develop and that North Point could not wait that long for improvements.

Ms. Martel next reviewed the projects under Tab No. 3 dealing with the various projects under the CWE. Commissioner Werbach asked if any of the projects could be shifted to apply to the Southeast Facility, which had the greatest needs. Mr. Jon Loiacano, Water Pollution Control Principal Engineer, replied there were two major projects at the Southeast Facility dealing with the odor problem and the gas handling system. He further stated the Oceanside Plant had a project because the plant did not meet the required 18% solids output mandated by law.

Ms. Martel noted that $900,000 in CWE projects had been removed from the CIP in 2002. Commissioner Brooks stated the Southeast Facility was a critical operation and had been ignored too long.

Commissioner Caen asked Mr. Jensen, General Manager of BAWSCA, if he would like to make some remarks. Mr. Jensen asked for a review on the implementation of the Water Supply Master Plan. Ms. Martel agreed to supply this.

Commissioner Caen called for a recess at 3:19 P.M.

The hearing reconvened at 3:35 P.M.

Ms. Martel continued with Tab No. 4, an overview of the CIP projects. Mr. Harlan Kelly, Jr., Assistant General Manager of Infrastructure, stated all the projects listed were a priority. He stated because the requirements of Assembly Bill 1823 mandated that 50% of the projects had to be completed by 2010, many of the local projects were moved up based on logic and dependability with other projects. He stated the projects were prioritized according to sequence.

Mr. Jensen stated that the local projects were not considered part of the AB1823 legislation. Mr. Kelly responded by stating that spending the money early got the projects out of the way and saved money. He noted that the Programmatic Environmental Impact Review (PEIR) would take considerable time and local work was being done in the interim.

Commissioner Caen asked if all the regional projects were awaiting the PEIR. Mr. Kelly responded SFPUC would not know which projects would be affected by the PEIR until it was completed.

Mr. Michael Carlin, Manager of Bureau of Systems & Strategic Planning, stepped forward to clarify the PEIR, noting it was for the regional water system, not the entire CIP. He explained the PEIR related to questions about meeting the long-term storage needs and water supply of the SFPUC.

Commissioner Caen asked that staff be prepared to answer the questions from this hearing. Ms. Martel replied that response to all questions raised to date would be answered. Mr. Jensen stated he planned on submitting about 40 questions regarding the budget.

Commissioner Brooks reminded staff the budget needed to move forward on funding the Solar Revenue Bonds. Ms. Martel replied this could not be done until the business plan was developed. She stated the business plan is not awaiting the completion of the performance assessment, but rather, the completion of the Strategic Business Plan. Ms. Martel stated staff would bring forward a Request for Proposals for a Strategic Business Plan at the next general meeting and it was not expected to be completed until the Fall.

Commissioner Werbach requested a one-page summary on what the plans were. Ms. Martel agreed to this.

Commissioner Caen returned the gavel to Vice President Costello. Vice President Costello reminded the audience the hearing would reconvene on Tuesday, February 10th, at City Hall at 1:30 PM.

Staff Recommendation: For discussion only. This item is proposed for continuance to February 10, 2004 at 1:30 P.M. in Room 400, City Hall and February 12, 2004 at 1:30 P.M. in Room 402, 1155 Market Street.

There being no further business to discuss, the meeting was adjourned at 4:20 P.M.

Mary Y. Jung
Secretary

SFPUC

WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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AGENDA

REGULAR MEETING

February 10, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance
(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Approval of Minutes

   a) Minutes of the December 1, 2003 Special Meeting

4. Communications

5. Old/Ongoing Business by Commissioners

6. Introduction of New Business by Commissioners

7. Report of the General Manager

   a) Communications Plan (Saslafsky)

   b) Moscone Reimbursement Update (Smeloff)

   c) Yosemite Rental Fee Update (Martel)

   d) Permit Streamlining Update (Martel)

8. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

REGULAR BUSINESS

9. Discussion and possible action related to a SFPUC Debt Management Policy. (Berry)

   Staff Recommendation: Adopt the attached draft Debt Management Policies of the SFPUC and approve their inclusion in a Citywide debt management policies document.

10. Discussion and possible action related to the Generation Solar Program Implementation Plan. (Smeloff)

    Staff Recommendation: Authorize the General Manager of Public Utilities to transmit to the Board of Supervisors the Generation Solar Program Implementation Plan, which the BOS requested in Ordinance 270-03. The SFPUC and SFE have developed a plan and budget that is appended herein as Attachment 2.

11. Public Hearing to consider adopting budget proposals for the Operating Budgets and Capital Programs for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103.) (Martel)

    Staff Recommendations:

    a) Adopt the proposed Operating Budgets for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2004-2005.

    b) Adopt the proposed Capital Improvement Program for Hetch Hetchy Water & Power, Water, and Clean Water Enterprise for Fiscal Year 2004-2005.

PROFESSIONAL SERVICE CONTRACTS

Award

12. Discussion and possible action related to Agreement No. CS-742. (Yee)

Staff Recommendation: Award professional services agreements to provide specialized geo-technical as-needed services for Agreement No. CS-742, Specialized Geo-Technical Services, to Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; and authorize the General Manager of Public Utilities to execute professional services agreements with each of these firms for $625,000 (and a total budgeted amount not to exceed $2,500,000), and a duration not to exceed 36 months from the Notice to Proceed for each agreement.

Amend

13. Discussion and possible action related to amendment to Agreement No. CS-672. (Medbery)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute Amendment No. 2 to Agreement No. CS-672. The original agreement established a pre-selected environmental documentation pool including the EDAW/Talavera and Richardson Joint Venture, the ESA/Orion Joint Venture, the Jones and Stokes/Robert Group Joint Venture, LSA Associates and URS, Inc. The proposed amendment would increase the term of the pool from three years to four years and increase the total authorized spending authority to $8,000,000.

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.

15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Milstein)

Existing Litigation:	Alameda County Water District et. al. vs. SFPUC; Jams #1100038728.

17. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property:	City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

18. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property:	City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

19. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property:	City of Mt. View, running between Whisman Rd., approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

20. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property:	City of Sunnyvale, located off Manzano Way, .75-acre site adjacent to pipeline r/w.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

21. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: McMillan Brothers Electric, Inc. vs. City & County of San Francisco; Unlitigated Claim No. 04-00462.

22. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Tony Abraham; Unlitigated Claim No. 04-02051.

23. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Scott Cameron; Litigated Claim No. 03-02720 (02-W-6024-1).

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

24. Announcement following Closed Session.

25. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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MINUTES

February 10, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello
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City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:42 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks

3. Approval of Minutes

   Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the Minutes of the December 1, 2003 Special Meeting; passed (5-0) unanimously.

4. Communications

   Commissioner Werbach requested that a letter to the Commission from Assemblyman Mark Leno supporting implementation of the Proposition B solar revenue bonds be read aloud. Ms. Mary Jung, Commission Secretary, read the letter for public record. The letter transmitted by fax, dated February 10, 2004, stated:

   Dear Commissioners:

   As you complete your deliberations on the budget for the San Francisco Public Utilities Commission, I encourage you to continue your efforts to implement the voter's mandate through Proposition B to make San Francisco a leader in solar energy.

   As the lead agency in charge of issuing the solar revenue bonds, the state's eyes are on you. Your work in ensuring our forward progress on new solar projects has already brought the city mention by the New York Times and other media outlets. The Moscone Center solar project is a national model that makes all of us who live in San Francisco proud.

   While energy prices have gone down since the revenue bonds were passed, solar energy continues to provide an energy price insurance policy for the city and an opportunity to capture a market of the future. In these difficult economic times, the job creation potential of solar energy is too great to pass up.

   I thank you in advance for your leadership on solar energy project implementation in San Francisco. If you have any questions, please feel free to contact me at (916) 319-2013.

   Sincerely, Mark Leno, Assemblyman, 13th District

President Normandy requested staff respond to Assemblyman Leno on behalf of the Commission stating the Commission's agreement with the espoused principle and work on forward movement of solar energy.

President Normandy commented that the format of the *Alameda Watershed Habitat Conservation Plan* did not conform to the SFPUC guidelines established years ago.

Ms. Patricia E. Martel, General Manager of Public Utilities, concurred that it was not acceptable as a Communications document and commented that the newsletter was prepared under time pressure for notification requirements. She assured the Commission such communications would not be produced in the future.

President Normandy stated in view of today's agenda Item 7a on the Communications Plan, the Commission's outline for Communications comprise the "4 C's:" 1) comprehensive, 2) comprehensible, 3) complete, and 4) concise. He further commented that the received *CIP Insider* newsletter was a superfluous expense. He suggested that *The Flow,* the SFPUC-wide newsletter, be revived and incorporate the information from the *CIP Insider.*

Commissioner Werbach supported President Normandy's effort to ensure that SFPUC Communications were efficient and cost-effective.

President Normandy requested staff consider revival of The Flow, the official SFPUC agency publication.

Ms. Martel responded that she understood the directive. She commented that she had wanted all the information in various newsletters to be on the SFPUC-wide *Currents* or *The Flow.* She shared that the *CIP Insider* was intended as a staff resource for the CIP organization, but stated she understood economizing and developing communications for the entire agency.

President Normandy stated it seemed the Communications process had gone awry and this was the reason for his direct comments. He acknowledged that there would be discussion under Item 7a. He stated he wanted to see the *CIP Insider* incorporated into *The Flow*, and that the publication be of many parts with a united message for the entire SFPUC.

Commissioner Brooks inquired if the incorporation of the *CIP Insider* into *The Flow* would mean a larger document rather than producing multiple documents. President Normandy responded affirmatively. He stated one publication forced the discipline of unifying agency information and also clarified expenses.

Commissioner Brooks commented that he hoped it would not limit information as he appreciated learning about the project and process. President Normandy stated

there would not be limitations, but that he was advocating for unified communication.

Ms. Martel commented she had discussed with the executive leadership team and Communications that creating separate images of SFPUC would not be beneficial as all individual programs were under the one umbrella of the SFPUC.

President Normandy requested that a letter to the Commission from the International Brotherhood of Electrical Workers, Local Union 1245, (IBEW) urging implementation of Proposition B solar revenue bonds be read aloud. Ms. Jung read the letter for public record. *President Normandy requested staff respond to IBEW in the same manner as done to Assemblyman Leno.*

5. Old/Ongoing Business by Commissioners

There was no discussion.

6. Introduction of New Business by Commissioners

Commissioner Caen stated she had read the Rocky Mountain Institute Report on an energy resource investment strategy and asked if Mr. Ed Smeloff, Assistant General Manager of Power Policy, Planning & Resource Development, could discuss the report with the Commission.

Mr. Smeloff stated he would be glad to present an overview of the report and if the Commission wanted, Joel Swisher, the principle author of the report, could present and answer questions.
President Normandy asked Commissioner Caen if she wanted Ms. Jung to collect questions from the Commission related to the report to give Mr. Smeloff for him to address in his presentation. Commissioner Caen commented the report was large and that both formats could be done.

President Normandy requested the presentation be agendized and that Commissioners submit their questions to Ms. Jung.

7. Report of the General Manager

a) Communications Plan

Ms. Martel introduced Item 7a as a draft document for which the Communications Division (CD) was seeking the Commission's input and direction.

Ms. Sharyn Saslafsky, Acting Director of CD, presented an overview of the Communications Strategic Plan for FY 2004-05. Ms. Saslafsky stated CD supported SFPUC's 3 enterprises and was a bridge between the public and the agency. She stated CD's goal was to create a communication strategy for each

program, project or event. She stated CD was reevaluating its role in the organization at a challenging time.

Ms. Saslafsky stated the plan was developed by assessing the major communications issues facing the enterprises in the coming year and created a strategic approach for addressing the challenges. She stated the goals of CD were: 1) promote a positive SFPUC image built on competency, efficiency, reliability and stewardship of the water, wastewater and power system, 2) build public confidence through consistent and transparent communications, 3) encourage public participation commitment for open dialogue with stakeholders to consider their perspectives, and 4) educate the public on water, cleanwater and power through up-to-date information about SFPUC activities and projects. She stated meeting the goals would enable the enterprises to move closer to achieving the SFPUC mission.

Ms. Saslafsky stated the plan and timetable used the following tools to address the communication needs of each enterprise to help CD accomplish its goals: 1) external communications to provide community outreach, public participation and public education for every project, 2) branding for the consistent use of SFPUC logo, name, and colors, 3) media relations strategies designed to build new bridges with local and regional media, and 4) internal communications to SFPUC employees to inform and update them to be knowledgeable.

Ms. Saslafsky outlined the approach for the 3 enterprises. She stated the Water Enterprise's major undertaking in the next decade was the Capital Improvement Program (CIP) and was a key focus of CD. She stated in the next year, CD would work closely with project managers to develop communication plans for all active CIP projects. She stated public participation and awareness of SFPUC stewardship would be promoted regarding the Watershed. She stated opportunities for public participation would be expanded for the restoration of Lake Merced. She stated education and outreach program efforts would be enhanced to SFPUC customers about water conservation and recycled water.

She stated the Cleanwater Enterprise was embarking on a Cleanwater Master Plan (CWMP) and CD would educate the public about the purpose and need for CWMP and ensure broad community participation in the process. She stated CD would oversee the creation of a public participation process for the CWMP, and then assess and monitor its progress and implementation. She stated CD would also focus on communicating the need for sewer rate increases and a proposed rate plan. She stated CD would continue work on reducing water pollution through public education and would work with the enterprises to address issues of environmental justice, air pollution, and odor control in the Southeast sector.

She stated the main focus of the Hetch Hetchy Water and Power (HHWP) Enterprise for the coming year was the Electricity Reliability Project. She stated public outreach and education would be conducted on the installation of 4 power-

generating units and would provide an opportunity for SFPUC to promote SFPUC's commitment to energy efficiency and renewable energy.

Ms. Saslafsky stated CD would expand its outreach related to some special projects such as HHWP bottled water, commemorating the 70th anniversary of the Pulgas Water Temple, the SFPUC historical center at Camp Mather and the SFPUC Learning Center. Ms. Saslafsky concluded that the plan was a systematic and proactive approach for addressing SFPUC's communication needs and was intended to support the overall SFPUC mission and goals.

President Normandy acknowledged it was an excellent and thorough piece of work. He urged the Commission to digest the material and give input to CD soon and on an as-needed basis.

Commissioner Brooks concurred that it was excellent and inquired if there were baselines, or a survey for measuring if goals had been achieved. Ms. Saslafsky responded one had been done 5 years ago and that another one could be done. Commissioner Brooks stated it was a great idea, noting Muni's use of a baseline survey to show their successes. President Normandy stated he concurred with the idea of developing a new baseline study. Commissioner Werbach also concurred, mentioning EBMUD's comprehensive public opinion data process.

President Normandy stressed the importance of an updated baseline study, but clarified this did not mean slowing the process down. He responded to Ms. Saslafsky's description of the plan as systematic and consistent and suggested the 4 C's (comprehensive, comprehensible, complete, and concise) be included in the plan.
President Normandy stated Camp Mather was not an appropriate site for SFPUC's Learning Center as it would reach a limited audience. He suggested a venue for a broader audience be reconsidered. Ms. Martel clarified that the Learning Center would be in San Francisco and that the visitor center at Camp Mather had been in discussion for the last 1.5 years as a joint project with Recreation & Park and partnership with the Yosemite Fund.

b) Moscone Reimbursement Update

Mr. Smeloff acknowledged two key staff members on the Moscone project: Mr. Fred Schwartz, Manager of Renewables and Solar, and Mr. Gary Oto, Project Manager of Energy Efficiency. President Normandy thanked Mr. Smeloff for putting the City on the map for the largest city-owned solar project in the U.S. Mr. Smeloff announced the March 18 Moscone dedication ceremony with Mayor Gavin Newsom as master of ceremonies. He extended an invitation to everyone.

Mr. Smeloff stated Powerlight did the rooftop solar installation and Chevron Energy Service did the energy efficiency services. He noted that the entire project was constructed with union labor. He shared that the convention center improvements

were solar energy related and a 40% increase in lighting quality, intensity and distribution.

Mr. Smeloff stated the general MOU between SFPUC and Moscone set up the basic principle for the project of providing the customer with both solar and energy efficiency at a lower cost with better service. He stated the MOU would provide lower electric bills for Moscone and recover SFPUC's investment in the project.

Mr. Smeloff proceeded to explain how solar is economically feasible. He shared that the original bid was for $7.4 million. He noted the total project cost $7.79 million, divided between solar and energy efficiency. He stated the project was cost effective for the City due to incentives, the first was PG&E's Self-Generation Program through the California Public Utilities Commission, which paid for half the solar system, and the second was a rebate through the California Energy Commission. He stated the cost to the City was $5,483,000, through the Mayor's Energy Conservation Account (MECA) program.

Regarding Moscone's electric bills, Mr. Smeloff stated Powerlight's contract guaranteed to deliver an average of 826,000 kilowatt hours for the first 5 years and that if they fail to deliver, they would pay SFPUC 12 cents a kilowatt for undelivered electricity. He stated there was also a performance guarantee for an energy-efficiency savings of $4 million, resulting from the retrofitted lighting. He noted the energy-efficiency savings were larger than the solar. He explained this was because energy efficiency did not cost as much per kilowatt-hour as solar.

As to the future, Mr. Smeloff stated staff had cataloged over 100 different locations for solar in the City. He stated large sites were the Airport and Port, with the biggest site being the roof of the University Mound Reservoir at the Southeast Water Treatment Plant, a project to come before the Commission in the next month. He stated the SFPUC vision was to do projects in an orderly manner.

Mr. Smeloff addressed the issue of the solar bonds. He stated to implement the solar bonds required a number of steps at the SFPUC: 1) completion of the comprehensive look at the organizational structure through the performance assessment. He noted discussion over the years related to segregation of HHWP's water side from its electricity side. He stated SFPUC had a water first policy with the understanding of enhancing the values obtainable from the electricity side. He stated once that discussion was completed, the agency would be in a position to move forward on the next step: 2) development of a business plan for HHWP that could lead the agency to obtaining a credit rating that would enhance the electricity side of the organization enabling SFPUC to do solar and electricity projects. He stated in the mean time it was important to: 3) use the MECA to create a pipeline of projects and not lose momentum. He stated it was necessary to replicate cost-effective projects like Moscone, which combined energy efficiency and solar together. Mr. Smeloff stated the next step was: 4) move from a project level to an enterprise level and develop partnerships with other large City enterprises such as

the Port, Airport, and DPT to develop a comprehensive plan for doing solar and energy efficiency.

Mr. Smeloff stated lessons were learned from the Moscone project. He stated it was difficult to work with PG&E in terms of interconnecting the electricity system and solar to the grid as well as delay of projects. He stated San Francisco was unique with HHWP in that it does not have the ability to export power from SFPUC's solar systems back into the grid. He noted private customers with solar systems could export power. He stated Assemblyman Mark Leno agreed to introduce legislation this year on behalf of the SFPUC to correct exporting power for HHWP. He stated, if corrected, SFPUC could export power from its projects, requiring PG&E to take the power and pay a fair price.

Commissioner Brooks stated the true savings was not through solar projects and that doing energy-efficiency projects allowed SFPUC to do solar. Mr. Smeloff affirmed this stating that combining solar and energy efficiency made the solar cost effective.

Commissioner Brooks asked if the programs throughout the City were always combined. Mr. Smeloff stated several projects had been done in a combined manner and that a lot of energy-efficiency projects were being done on their own.

Commissioner Brooks asked if the return investment on the Moscone project was 15 or 26 years. Mr. Smeloff stated it was 15 years with an interest rate of 3.95%. Commissioner Brooks asked if SFPUC was locked into the 3.95% interest rate. Mr. Smeloff answered it was not a locked rate. He referred to a proforma prepared for the Commission and stated SFPUC was finalizing its negotiations with Moscone on what they were going to pay back. Commissioner Brooks stated he had seen the initial draft report from the Mayor's Office of Finance when the bonds were first sold for the Moscone project, at which time the return of investment was in 26 years. Mr. Smeloff stated two things changed. 1) SFPUC qualified for the Self-Generation Program, by which the State paid half the cost of the solar component, therefore lowering the cost, and 2) SFPUC coupled the solar project with energy efficiency, which made the project economically feasible.

Commissioner Brooks stated he assumed the numbers were based at FY2001-02, when there was an energy crisis and the rates were higher. He asked if the cost had been adjusted with today's lowered rates. Mr. Smeloff stated the proforma was based on the current PG&E rate for Moscone and that it worked out on a net positive cash flow basis for Moscone based on the current rates.

Commissioner Brooks asked what the life expectancy was for solar panels. Mr. Smeloff stated solar panels had a degradation and output of 13% over 30 years, meaning they produce 87% of the amount of electricity in Year 30 than what they produced in Year 1, and would do so in perpetuity.

Commissioner Brooks asked if the State funds were guaranteed. Mr. Smeloff stated there was a guaranteed reservation on the state funds from PG&E.

Commissioner Werbach stated he wanted to address the hold up on getting the solar revenue bonds issued. He stated he understood that there was no business plan for the HHWP enterprise and that without the business plan; SFPUC was unable to issue the bonds.

Mr. Smeloff stated to issue bonds required demonstrating to lenders the capability of paying them back. He stated lenders needed to know the source of revenue that would pay them back. He stated Monique Moyer advised SFPUC 1.5 years ago, that it needed to qualify the entire HHWP electric enterprise to be able to issue the solar bonds and other debt to support the development of the electric enterprise. He stated a business plan needed to be put together to understand the major issues related to rates, development of other resources, and how the intended new power plants would fit into the portfolio of resources. He stated explaining all this in a business plan was necessary in order to present it to credit rating agencies to get a rating. He stated when approval was given, it would be easier to borrow money. Mr. Smeloff urged patience, as it would take SFPUC some time to go through the entire process. He clearly stated this did not mean projects could not be undertaken

Commissioner Werbach commented that the business plan was needed and not just for the solar project, but for the entire enterprise.

President Normandy commented this was why the Commission had been pushing for the last couple of years for a reorganization of the SFPUC that would allow for business plans for the entire organization and individual entities. He stated it had been desired for some time to have sufficient separation of HHWP. He stated the process had been started, but acknowledged Commissioner Werbach's point about the priority of doing the business plan. He stated even though some terrific solar-energy modeling had been done, moving on the revenue bonds could not be done without getting the business plan in place.

Commissioner Werbach asked Ms. Martel what the plan was for forming and issuing the business plan.

Ms. Martel stated the solar bond initiative was put to the voters and approved before the agency had any strategic action in place. She noted as the CIP was moving forward, focus could be placed on internal planning and strategic initiatives to facilitate fundamental business practices that have never existed at SFPUC—a business plan being one of them. She stated a strategic business plan was needed first for the entire SFPUC and following that strategic business plans for each of the enterprises would be developed. She stated a performance assessment by a consultant was underway on restructuring the SFPUC. As for the HHWP business plan, she stated there was insufficient data to put it together. She noted that at the

last budget hearing an outline for the steps needed was requested and that Mr. William Berry, Assistant General Manager of Business Services, was working on a comprehensive response. Ms. Martel indicated the business plan required more time and that there was not enough time to do a detailed budget proposal this year that could be justified to the Mayor's Office.

Commissioner Werbach stated he looked forward to seeing the analysis and the business plan. He asked if projects at this time would be funded by MECA on a project-by-project basis instead of issuing the revenue bonds.

Mr. Smeloff affirmed this, stating MECA was one of the funding sources for the construction of projects. He stated there were other available financial instruments, such as the CEC low-interest finance program. He stated the passage of Proposition H allowed SFPUC to access those financing resources; otherwise each project would have to go before the voters to finance. He stated the voters facilitated SFPUC's access to capital through other mechanisms.

Commissioner Werbach asked if doing the solar and energy-efficiency projects would create baseline data to build the business plan. Mr. Smeloff stated it was true.

Commissioner Werbach asked for an explanation of MECA having $15 million two years ago, and this year having $7-8 million. Mr. Smeloff stated there was $7.5 million. He stated Mayor Newsom's directive was for SFPUC to set aside 5% of HHWP gross revenues from electricity sales, approximately $5.2 million. He shared Ms. Martel stated funds could be used from the HHWP budget that were recovered from loans and projects and reappropriated for use on new projects and that was the basis for the number in the current budget.

Commissioner Werbach commented it would be good to do more projects to build a track record to make SFPUC appealing to financial institutions. He asked if $10 million was available, would there be projects to effectively spend the money on—meaning projects that pay for themselves, create good union jobs, are good for the environment, and expand the solar market in San Francisco. Mr. Smeloff stated the amount of money in the budget was a significant amount to allow SFPUC to continue doing projects in the City and develop comprehensive master plans with other City departments. He stated there was a portfolio of projects in the City to do over the next 4-5 years, which was more than $7.5 million. He stated the projects needed to be done in an orderly way and balanced with other HHWP system and SFPUC requirements. He stated the budgeted money allowed SFPUC to proceed on that course.

Commissioner Brooks asked if the revenue bonds were based on the sale of electricity or on the savings through efficiency, and how SFPUC would find financing for bonds based on the savings. Mr. Smeloff answered it would be a

combination of providing electric services and a stipulated agreement with the end user that they would pay back for the energy efficiency services provided.

Commissioner Brooks asked if bond financing would be based on the savings. Mr. Smeloff stated the financing would be based on the overall revenues projected to come into the HHWP electricity enterprise, which would be a combination of the sale of electricity and electric energy efficiency services. Mr. Berry stated it all depended on how SFPUC financed the projects. He stated HHWP revenue bonds were being issued and secured by the revenue that comes into HHWP. He stated another way to finance projects was to finance a group of projects that stand on their own and are secured by the revenue flow for those projects, and not rely on the revenue from HHWP. He stated discussion had revolved around setting HHWP up as an enterprise that issues revenue bonds similar to the way WD and CWP do.

President Normandy reminded the Commission that the agenda item was on the Moscone project and urged discussion pertain to it and that budget matters be discussed during the budget hearings.

Commissioner Brooks stated he thought the Commission had the responsibility of making sure that financing was in place to move projects forward. He asked who would finance a project that was based on savings versus revenue. Mr. Berry stated it would be difficult to finance a project strictly based on savings. He stated by looking at details of specific projects it might be possible, but that a more likely course of action was to finance based on the enterprise rather than a specific project.

President Normandy asked if there was any real potential for continued subsidy to the degree that the Moscone project was subsidized. Mr. Smeloff stated the Self-Generation Program was extended through the end of 2007 with half a billion dollars available for projects. He stated SFPUC was in a good position to qualify for the funds in the next years.

President Normandy stated for the record it was important to include the City schools and libraries and relamping of City streets as part of the equation. Mr. Smeloff stated his next item on generation solar would address that.

Commissioner Caen inquired what the net present value cost was to do the financing. Mr. Smeloff answered the net present value of savings to Moscone was $1,078,000 over 30 years at a 4% discount rate.

Ms. Clayton was excused at 3:00 P.M. and returned at 3:05.

Commissioner Caen inquired what the net present value cost was to finance the solar. Mr. Smeloff stated SFPUC was paying Powerlight and Chevron Energy Services $4,400,000 for solar and $3,371,000 for energy efficiency. He stated the

rebates amounted to $2,127,000 for solar and $178,000 for energy efficiency, meaning the net cost to the City was $5,483,000.

Commissioner Caen commented the financials looked good, but asked what could go wrong on the finances between now and year 15. Mr. Smeloff stated one scenario was if Moscone Center was underutilized and could not pay their electric bills to the City, therefore, defaulting on electric service. He noted there was interest in changing Moscone's rates to the general fund rate. He stated the SFPUC agreement with Moscone was that the project was done based on the enterprise rate. He encouraged the Commission, as the rate-making body, to continue with the enterprise rate structure until a comprehensive business plan was done.

Commissioner Caen asked if SFPUC would be dependent on MECA. Mr. Smeloff stated SFPUC would be dependent on revenues from HHWP to support these kinds of projects until the Commission was able to issue revenue bonds to support projects.

Commissioner Caen asked if MECA funds would be depleted if HHWP had a year with little revenue. Mr. Smeloff stated a business plan for HHWP was needed and the enterprise needed to be on sound financial footing. He stated HHWP audited financial statements indicated the enterprise was on the rebound, in part due to the renegotiation of the Calpine contract and the reduction in the amount of electricity bought on the wholesale market.

c) Yosemite Rental Fee Update

Ms. Martel reiterated the news about President Bush's proposed increase in SFPUC rental payments for O'Shaughnessy Dam and HHWP Reservoir in Yosemite National Park. She stated she would in part combine Reports 7c and 7d. She stated she was in Washington, D.C. the end of January to meet with the National Park Service (NPS) regarding a proposal for additional personnel at Yosemite. She stated during her discussions, there was no mention of an increase in SFPUC rental payments and that it wasn't until a week later that the notice of increasing it from $30,000 annually to $8 million was in the news.

Ms. Martel stated U.S. Senators Diane Feinstein and Barbara Boxer, and Congresswoman Nancy Pelosi were contacted immediately. She stated strategizing with Washington representatives, City Attorneys and SFPUC Government Affairs staff began immediately. She stated SFPUC Lobbyist Darryl Owen began to investigate the source of the proposal and what SFPUC's response should be.

Ms. Martel provided Mr. Owen's suggested outline, which was prepared and provided to Senator Feinstein and Congresswoman Pelosi. She stated the outline showed current SFPUC funding provided to NPS for watershed protection, law

enforcement patrolling, and capital work. She stated the total payment to NPS was $1.9 million, including $300,000 for security-related matters. She stated another $1 million was budgeted for ongoing in-kind services, such as housing, utilities, road and trail maintenance, small capital projects, etc. She stated the funding budgeted annually was considered adequate and clarified to representatives expenses beyond the $30,000 rental payment. She stated the information was also provided to Congressmen Miller and Rodanovich.

Ms. Martel stated it was determined that the funding increase came from the Office of Management & Budget (OMB). She stated SFPUC was working with the House & Senate staff that works with OMB to understand the rationale for the increase. Ms. Martel referred Mayor Newsom's letter sent to President Bush denouncing the proposal for lack of budget justification. She stated she had spoken with Senator Feinstein's office regarding incremental increases in rent. She stated those discussion had not happened, but that was the appropriate place to start.

Ms. Martel stated the next step beyond working with federal representatives was to form a partnership with SFPUC regional partners to get the representatives from San Mateo and Alameda Counties to exert influence. She stated coordinated efforts with BAWSCA, elected officials and the City's Washington representation would be continued to make an appeal for reduction.

Vice President Costello inquired if this was focused on California or if it was a general policy for all water facilities within national parks. Ms. Martel stated U.S. Senator Feinstein's office requested SFPUC to research what other jurisdictions in the U.S. have access to national park or forest lands. She stated the information would be used for determining a strategy.
President Normandy inquired if the Governor's office had been enlisted for help. Ms. Martel responded "not yet."

President Normandy inquired if Congressman Radonovich had been contacted regarding SFPUC's contribution to improvements for Yosemite. Ms. Martel responded that the copy of current funding provided to the Commission was also provided to his office.

d) Permit Streamlining Update

Ms. Martel stated she met with House and Senate staff from water resources and energy committees regarding the streamlining proposal and legislation approval last year. She stated she received overwhelming response and that the language included in the legislation was exceptional. She noted it received support from both Democrats and Republicans. Ms. Martel stated staff was working with the U.S. Corps of Engineers (USCOE) on the broad terms of the MOU. She stated USCOE was acting on behalf of all federal regulatory agencies to be housed in the permit office in San Francisco. She stated the proposed terms of agreement would be provided to the Commission and the draft document would be in the federal

register for comment, with a proposed date for approval to the Commission in May. She stated, once approved, the process would proceed to opening the permit office through a transfer of funds and placement of staff. She shared that it was suggested she return to Washington, D.C. later in the year to provide testimony on the progress of the permit streamlining process, as its model was being considered for application in other processes. She stated it was requested that the steps of the process be documented as the information could be useful to others.

8. Public Comments on matters not on today's agenda.

Mr. David Pilpel, San Francisco resident, commented he was encouraged by the activism and diligence of the Commission's discussions. He commented he was the originator for the Letter Summary on the public table, stating the model should be used by all City agencies. He suggested that a copy of the full Commission agenda be available on the public table for review. He stated he reviewed his water bill and noticed a 90% flow factor, and asked how that was determined and if it was periodically reviewed.

President Normandy agreed to the public copy of the Commission packet and requested Ms. Jung to provide a copy at each meeting. He stated the Residential Users Appeals Board addressed the issue of flow factors, and requested that staff contact Mr. Pilpel regarding his inquiry.

Mr. John Rizzo, Vice Chair of San Francisco Bay Chapter Sierra Club, urged the Commission to implement the solar bonds with haste. He stated the Moscone presentation was encouraging, but that it was a small part of Propositions B and H that voters overwhelmingly supported for solar bonds. He stated the Sierra Club was requesting the Commission to consider putting this into the current budget and make provisions to create the plans that are necessary for the financing of the bonds.

President Normandy commented haste was desired by everyone, but noted staff's testimony about business elements that needed to be put in place.

Commissioner Werbach asked Mr. Rizzo if he thought people were aware that the bonds had not been issued, and understood the reasons why. Mr. Rizzo stated he did not think people were aware of it, noting Sierra Club members did not. He stated there were 10,000 members in San Francisco and most of them assumed it had happened. He stated he knew people did not understand the reasons why and that it would be a good thing for the public to know.

Mr. Adam Browning, Vote Solar Initiative (VSI), stated VSI was a local nonprofit that helped with the Proposition B campaign and were now working on replicating it in other U.S. cities. He encouraged the Commission to implement the solar bond for several reasons: 1) it would be good government, 2) it would save money, 3) it would clean the air, and 4) it would support the solar industry. He stated there were

many people who wanted it to happen as evidenced by its 73% majority vote. He stated from that vote it was expected it would be implemented and that he was surprised that it had not. He noted local support from the BOS, Mayor Newsom's inclusion of it in his campaign platform, and Assemblyman Leno. He shared one of the outcomes of the Solar City Summit in September was that participating mayors across the country wanted to pursue solar measures in their cities. He urged to keep the momentum going and to aggressively implement the solar bond.

Ms. Kristin Casper, Greenpeace Clean Energy Now (GCEN), shared that GCEN was involved in the field organizing of Propositions B & H. She noted during the campaign, 1,000 volunteers worked on the effort and that most of them believed it was already happening. She urged the Commission to implement Proposition B quickly and that the Commission had both a responsibility and opportunity to inform the public what was happening with the bond.

Mr. Emeric Kalman, San Francisco resident, stated he had a notice from the State Water Resources Control Board, which was a water quality control policy for developing California's Clean Water Act, Section 303.D. He stated there were meetings in Sacramento on January 28 and February 5, 2004. He asked if this was addressed by the SFPUC and if there was a deadline. He then inquired why PG&E and other private enterprises were not involved in solar energy if there was a profit in it. He asked how much per kilowatt-hour it cost for solar systems at Moscone and the South East plant.

President Normandy requested Ms. Martel or staff to respond to Mr. Kalman's first question. For his second question, he stated it was not within the Commission's purview to answer regarding PG&E and suggested Mr. Kalman contact them. *For the third question, he requested Mr. Smeloff meet with him to answer the question.*

Ms. Martel stated staff was responding to the draft document on the revisions to the California Clean Water Act. Mr. Michael Carlin, Systems & Strategic Planning Manager, stated the document was a listing of water quality-impaired bodies, and that the State reviewed the list every 2 years. He stated SFPUC had commented on the list for several years and were part of the overall record. He stated SFPUC had attended workshops and would be preparing comments based on the workshops in the next couple of weeks and submitting them to the State Board staff. He reiterated it was an ongoing process and that the list was revised every 2 years.

President Normandy recessed the meeting at 3:40 P.M.

The meeting reconvened at 3:52 P.M.

REGULAR CALENDAR

9. Discussion and possible action related to a SFPUC Debt Management Policy.

Mr. William Berry, Assistant General Manager of Business Services, stated the item was a draft of debt management policies for managing the use of revenue bonds. He stated it was being presented for discussion and requested it be continued to the next meeting.

Ms. Karol Ostberg, Financial Service Debt Manager, presented an overview of the policies and clarified they related only to the WE and CWE, not HHWP. She stated the policies were not new and reflected normal operating procedures. She stated what was new was formalizing them by putting them into writing.

Ms. Ostberg stated the approved item would be a public document and would promote understanding of the financing process. She stated the City Controller requested City entities that issue debt, such as the Airport and Port, adopt such policies with the intention of creating a single document with all policies. She stated that the SFPUC mission statement addressed its mission as related to debt management: capital financing needs, cost effective, low risk, flexible, sound decision making, adhering to the financial objects and parameters established by the Commission.

Ms. Ostberg stated the debt management objectives were derived from the mission: 1) Finance capital projects in a timely and cost-effective manner. She shared there were many financing options now that were not available before November 2002. 2) Manage debt within adopted Commission policies and guidelines. 3) Achieve and maintain the highest practicable credit ratings, as high credit ratings correlate with cost of debt. 4) Retain maximum financial flexibility. Ms. Ostberg, briefly covered the contents: 1) Types and purposes of debt, 2) Debt authorization and approval process, 3) Oversight by the Revenue Bond Oversight Committee voted in November 2002, 4) Debt limitations, methods of sale and structuring, 5) Derivatives policy, 6) Professional assistance, and 7) Ongoing administration.

President Normandy accepted staff's recommendation to continue the item to the next regularly scheduled meeting for the item to be further developed.

Moved by Commissioner Werbach, seconded by Commissioner Brooks, to continue Item 9 to the next regular Commission meeting scheduled on February 24, 2004; passed (5-0) unanimously.

Staff Recommendation: Adopt the attached draft Debt Management Policies of the SFPUC and approve their inclusion in a Citywide debt management policies document.

10. Discussion and possible action related to the Generation Solar Program Implementation Plan.

Mr. Smeloff stated his presentation was in response to an ordinance the BOS adopted in December 2003 for a Generation Solar Program with the intent of doing solar on private sector facilities. Mr. Smeloff stated the program was a joint project between the San Francisco Department of Environment (SFDOE) and SFPUC with delineated roles and responsibilities between each. He stated EMCOR Energy & Technologies was the as-needed contractor to assist with the program.

He stated the program goals in the ordinance were: 1) install 100 rooftop systems in San Francisco in the first phase, 2) reduce cost of solar resources, 3) stimulate the solar energy industry in San Francisco, and 4) develop and model best practices in the industry. He stated the program would help customers: 1) identify and qualify solar installation contractors, 2) identify photovoltaic equipment suitable for residential and commercial buildings, 3) streamline the permitting process for solar projects by the Department of Building Inspection and Planning, 4) apply for private-sector financing and state and federal subsidies, 5) receive advice on system installation, 6) understand contractor and manufacturer warranties, and 7) monitor and verify performance of the systems.

Mr. Smeloff stated the roles and responsibilities of SFPUC were program administration and funding, management of the as-needed contractor, oversight of installation of demonstration projects, development of educational programs, development of a business plan to obtain credit for HHWP, and progress reports to the BOS. He stated that SFDOE would be handling marketing and community outreach, screening leads, streamlined permit process, and a customer hotline.

Mr. Smeloff stated the anticipated schedule for the program would begin with an RFQ for qualified contractors in February 2004 followed by an RFP in March-April 2004. He stated the marketing would take place between January-April 2004, with sales beginning in May 2004 and rooftop installations beginning Summer 2004 to be completed in 2005 with 100 systems.

Mr. Smeloff shared the program would include 10 municipal demonstration projects. He stated the educational program about solar and energy efficiency would be developed with SFUSD for grades 2-8. He stated the ordinance required that SFPUC and SFDOE present the BOS with information within 12 months of launching the program including an evaluation, credit rating for HHWP, documentation of energy subsidies, recommendations to BOS to establish energy rates for higher bond ratings, and a plan for a revenue bond program to finance costs of future solar program expansion. He stated the total budget was $566,000.

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0014: Authorize the General Manager of Public Utilities to transmit to the Board of Supervisors the Generation Solar Program Implementation Plan, which the BOS

requested in Ordinance 270-03. The SFPUC and SFE have developed a plan and budget that is appended herein as Attachment 2.

President Normandy suggested, due to shortage of time, that Items 12 and 13 be moved to the next regularly scheduled meeting. The items were passed to continue.

President Normandy turned the gavel over to Commissioner Caen to chair the budget hearing.

11. Public Hearing to consider adopting budget proposals for the Operating Budgets and Capital Programs for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005.

Commissioner Caen began the Budget hearing with the Operating Budget, Tab No. 18, which contained all the proposed projects and asked Commissioners to come forward with any concerns about projects that were not accepted into the budget by the General Manager.

President Normandy asked about the funding for records and archival oversight and the proposed Learning Center. Ms. Martel responded that the current year's allocation had not been spent and that there was currently $200,000 also identified in the base budget. She stated the budget item included funding for a new position that would be responsible for oversight of the records and archival function.

There were no questions or comments regarding Operations, Water Supply & Treatment (WST), and Strategic & Systems Planning Bureau.

Commissioner Caen asked about the HHWP projects. Ms. Martel replied she asked Mr. Smeloff not to request additional staffing for FY 2004-2005.

Commissioner Caen asked for comments regarding water treatment and security of the watershed. Ms. Cheryl Davis, Acting Assistant General Manager of Operations, described the need for the four positions requested and the other overall strategic approach taken on security.

There were no questions or comments regarding the City Distribution Division, Clean Water Program, Water Quality Bureau, Financial Services and Real Estate Services.

Regarding Information and Technology Services (ITS), Ms. Martel pointed out a new proposal, No. 43A, and asked Mr. Hans Loffeld, Manager of ITS, to address it. Mr. Loffeld stated an opportunity arose to purchase a radio-based communication system that was suitable for the SCADA system, which measures water flows, water pressures, and water quality throughout the region. He stated it would cost about $600,000, with the largest part of the budget used for an FCC license. Mr.

Loffeld estimated the system would save $200,000 annually in telephone company fees. He also explained radio was more reliable in emergencies.

Commissioner Caen commented this seemed necessary. She next asked for public comment. Seeing none, she asked Mr. Art Jensen, Manager of BAWSCA, to address the Commission.

Mr. Jensen thanked staff for their responses to his first set of questions and for their draft answers to his second set of questions, and for allowing him to address the first set of questions and answers. He noted most of the information was for clarification purposes and that he wanted to take his time at the hearing to point out his concerns.

Mr. Jensen stated his concern was the unobstructed progress in implementing the CIP. He stated BAWSCA observed that many projects were added to the Operating Budget or paid for by projects. He explained that in a situation like WST, where, in the last 8 years, there had been a 50% increase in positions and a rate freeze. He asked how and if they were being funded from reserved or other sources of revenue.

Mr. Jensen stated BAWSCA pays differently for operating expenses than for capital expenses. He gave the example of the chloramine project, which was paid for by project funds and then moved over to the operating budget once the project was completed. He asked if all project positions would get absorbed like this or if there would be an ongoing stream of projects.
Mr. Jensen asked if the budget report for each department could describe their objectives and what had been achieved and not achieved.

Mr. Jensen's last concern was that new positions created based on the SFPUC's reorganization not be implemented until the Red Oak Project organizational assessment was completed. He stated the CIP reorganization needed to take place, but the other positions should not be hired until after the report was complete.

Ms. Martel stated that many of the positions would be project funded and there were ongong projects.

President Normandy noted that many of the questions raised were policy questions that had long-term ramifications, but would not hold up approving the budget. Commissioner Caen echoed this sentiment and stated the policy questions could not be answered by Thursday.

Commissioner Werbach stated the questions raised referred to policy questions that would affect the budget in the future years and asked for additional clarification on the direction the SFPUC was moving toward before he voted.

Commissioner Brooks stated his understanding was that the budget could be approved for the positions, and if the positions were unfilled, the funds would become surplus and could be appropriated somewhere else in the budget or pulled out of the budget. President Normandy confirmed this.

Commissioner Werbach stated the Commission should not be voting on approving encumbrances in the operating budget without knowing what the long-term ramifications would be.

Ms. Martel stated she would not have a policy ready for the Commission to review and approve by the Thursday hearing, but was willing to work on this for the future. She also stated she would be willing to address specific issues about the appropriateness of the movement of positions (from project funded to operations) if Mr. Jensen would identify the ones in question. Ms. Martel stated that in her two years at the SFPUC, she had followed past practice on how positions were allocated. She noted that, using the example of WST staff, the positions remained and continued to do capital work and repair and replacement projects.

President Normandy stated the need for moving forward on the budget, but stated a policy would need to be developed. Commissioner Brooks agreed with President Normandy, and stated he found it odd that the SFPUC funded positions for half or three-quarters of a year.

Ms. Martel answered that new positions were budgeted for the equivalent of nine months, realizing not all positions were hired immediately. She also stated some positions were only part-time positions and were allocated as such.

Commissioner Werbach stated he was not comfortable with the budget and the questions raised by Mr. Jensen. He noted the questions he asked last week had still not been answered and he did not want to vote on the budget at this meeting.

President Normandy stated there was another Budget hearing in two days and a vote on the budget could be taken at that time.

Commissioner Werbach questioned how an agenda was put together. He noted the time-sensitive nature of the budget and stated there were many items on today's calendar that were not time sensitive and should have been delayed to another meeting.

Commissioner Caen stated she understood Commissioner Werbach's concerns, but also noted that the policy questions Mr. Jensen raised could not be answered by the next meeting.

President Normandy asked the Commissioners to state the questions they needed to have answered in order to make a decision on the budget at the Thursday hearing.

Ms. Martel responded she thought three questions needed to be answered. The first question dealt with MECA projects and other energy-related projects and how they aligned with the policy direction from the Mayor's Office. She stated Mr. Smeloff would provide the analysis. The second question related to developing a business plan for HHWP and the third question related to providing Commissioner Werbach with a more detailed explanation of a graph that was provided the previous week.

President Normandy stated there were questions that needed to be answered in order to make an intelligent vote at the next meeting, and then there were questions that would be nice to have answers to. He stated it would be impossible to have the policy questions answered within 48 hours. Commissioner Brooks concurred with this and noted it would be a disservice to rush through important policy questions. Vice President also concurred.

Commissioner Werbach stated he sensed a desire from the Commission to vote on the budget on Thursday. He stated was he not to vote in favor of the budget, he would be willing to write an appendix to the budget stating his concerns.

Ms. Martel expressed her dismay that Commissioner Werbach did not feel any level of confidence in the numbers that were presented to him. She stated a lot of time and effort went into producing the numbers and wanted more specific details so his questions could be answered to his satisfaction.

President Normandy stated that all questions posed should be answered point-by-point at the next budget hearing. He also stated that an appendix would be inappropriate.

Moved by Vice President Costello, seconded by President Normandy, to continue Item 11 to the next special Commission meeting scheduled for February 12, 2004; passed (5-0) unanimously.

Staff Recommendations:

a) Adopt the proposed Operating Budgets for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2004-2005.

b) Adopt the proposed Capital Improvement Program for Hetch Hetchy Water & Power, Water, and Clean Water Enterprise for Fiscal Year 2004-2005.

Commissioner Werbach was excused at 5:16 P.M.

PROFESSIONAL SERVICE CONTRACTS

Award

12. Discussion and possible action related to Agreement No. CS-742.

Moved by President Normandy, seconded by Vice President Costello, to continue Item 12 to the next regular Commission meeting scheduled on February 24, 2004; passed (5-0) unanimously.

Staff Recommendation: Award professional services agreements to provide specialized geo-technical as-needed services for Agreement No. CS-742, Specialized Geo-Technical Services, to Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; and authorize the General Manager of Public Utilities to execute professional services agreements with each of these firms for $625,000 (and a total budgeted amount not to exceed $2,500,000), and a duration not to exceed 36 months from the Notice to Proceed for each agreement.

Amend

13. Discussion and possible action related to amendment to Agreement No. CS-672.

Moved by President Normandy, seconded by Vice President Costello, to continue Item 13 to the next regular Commission meeting scheduled on February 24, 2004; passed (5-0) unanimously.

Staff Recommendation: Authorize the General Manager of Public Utilities to execute Amendment No. 2 to Agreement No. CS-672. The original agreement established a pre-selected environmental documentation pool including the EDAW/Talavera and Richardson Joint Venture, the ESA/Orion Joint Venture, the Jones and Stokes/Robert Group Joint Venture, LSA Associates and URS, Inc. The proposed amendment would increase the term of the pool from three years to four years and increase the total authorized spending authority to $8,000,000.

CLOSED SESSION

Moved by President Normandy, seconded by Vice President Costello, to continue Items 16-20 to the next regular Commission meeting scheduled on February 24, 2004; passed (5-0) unanimously.

President Normandy inquired if Items 21-23 were time sensitive. *He requested to amend the motion.*

Moved by President Normandy, seconded by Commissioner Brooks, to continue all Closed Session Items 16-23 to the next regular Commission meeting scheduled on February 24, 2004, as amended; passed (5-0) unanimously.

14. Public comments on matters to be discussed in Closed Session.

    There were none.

15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

    No motion was made as Closed Session was continued to February 24, 2004.

16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Milstein)

Existing Litigation:	Alameda County Water District et. al. vs. SFPUC; Jams #1100038728.

17. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8:
    (Milstein)

Property:	City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

18. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8:
    (Milstein)

Property:	City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

19. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8:
    (Milstein)

Property:	City of Mt. View, running between Whisman Rd., approximately 7 acres adjacent to pipeline r/w.

SFPUC

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HETCH HETCHY
WATER & POWER
CLEAN WATER

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CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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AGENDA

SPECIAL MEETING

February 12, 2004
1:30 P.M.
1155 Market Street
Room 402

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

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(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

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ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

REGULAR BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005. (Persons who are unable to attend the public hearing may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become a part of the official public record. Written comments can be sent to Mary Jung, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, CA 94103.) (Martel)

   Staff Recommendations:

   a) Adopt the proposed Operating Budgets for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2004-2005.

   b) Adopt the proposed Capital Improvement Program for Hetch Hetchy Water & Power, Water, and Clean Water Enterprise for Fiscal Year 2004-2005.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

SFPUC

WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

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CITY AND COUNTY OF SAN FRANCISCO

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MAYOR

MINUTES

February 12, 2004
1:30 P.M.
1155 Market Street
Room 402

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:35 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach

   Excused - Commissioner Ryan L. Brooks

3. Public Comments

   There was no public comment.

   President Normandy announced that Mr. Nathan Ratner, an esteemed and long-standing member of the Residential User Appeals Board, was gravely ill and encouraged those who would like to contact him to wish him a speedy recovery could do so. He stated Mr. Ratner was at the Jewish home located at Silver and Mission.

President Normandy transferred the gavel to Commissioner Caen.

REGULAR BUSINESS

4. Public Hearing to consider budget proposals for the Operating and Capital Budgets for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2004-2005.

   Commissioner Caen requested Ms. Patricia E. Martel, General Manager of Public Utilities, to give an overview of the Hetch Hetchy Water & Power (HHWP) business plan.

   Ms. Martel stated that developing effective business practices, implementing policies and focusing on what the SFPUC could do to change and move forward was more important than focusing on why things didn't happen. She stated that she provided a memo to the Commissioners in which Mr. Bill Berry, Assistant General Manager of Business Services, laid out the various issues that had been previously discussed and needed to be addressed in order to develop a business plan for HHWP and for all the other enterprises as well as a strategic plan for the SFPUC.

   Ms. Martel stated one of the basic issues that needed to be resolved was the distribution of management responsibility for HHWP. She stated up until three years ago, the primary responsibility for implementation of policy directives and

general management oversight for HHWP was vested in the General Manager of HHWP (GM-HHWP). She stated the GM-HHWP reported to the Assistant General Manager of Operations. She stated several years ago, the Mayor created a new position at the SFPUC, the Assistant General Manager of Power Policy, Planning & Resource Development, which was an attempt to create a broader vision for the power enterprise as well as to deal with broader, City-wide energy-related issues. She stated, thus, there were two high level positions—each with partial responsibility for the power function, one on the operation side and one on the policy and planning side. She stated recognizing that this particular model could not work in the long term, when the former incumbent left the SFPUC, the responsibilities were divided up for regional water issues and power issues. She stated, however, a conflict continued to exist between Operations and Power Policy related to future power projects. She stated the particular issues needed to be developed within a much larger context, which would look at the entire structure of the SFPUC and how the enterprises were currently configured, and how restructuring would eliminate the conflict that currently existed within HHWP.

Ms. Martel continued that the elimination of conflict was one of the issues that she wanted examined as part of the SFPUC's overall performance assessment. She stated the assessment was designed to identify strengths and weaknesses, to look for improvements, and to examine the broader issue of whether the current structure of the SFPUC would be adequate for achieving a higher level of performance.

Ms. Martel also highlighted another fundamental question to be addressed—the "Water First" policy. Ms. Martel noted there had been an informal commitment historically to a "Water First" policy and that the SFPUC had operated its enterprises based on it. She stated as no written policy directive had been produced, writing one at this time would have many implications. Thus, Ms. Martel concluded that the question needed to be considered in the overall strategic planning process.

With respect to the Energy Resource Plan that was approved by the Mayor and the Board of Supervisors (BOS), Ms. Martel noted the vision embodied in the particular document did not address any restructuring or changes that could be made in the overall operations to accomplish the vision as outlined. Ms. Martel stated that the need to identify the various implications, how to establish goals relative to the initiatives outlined in the plan and how to set up the staff positions with responsibilities for accountability on delivery of goals would be continued. Ms. Martel noted that the RFP for the strategic planning process was continuing to move forward and that she was investigating how the timeline for implementation could be shortened.

President Normandy interjected and stated the Commission, on several occasions over the past few years, had defined where the agency was to go and how it was to go. He asked to move on to the business of the budget. *Subsequent to*

approving the budget, President Normandy requested that a task force be convened to examine how the budget process could be improved.

Commissioner Caen asked that the discussion return to the budget and asked Mr. Smeloff to address the Mayor's policy. Mr. Smeloff noted he had prepared a memo analyzing the Mayor's policy paper on clean air/clean energy and that it contained 10 initiatives. Mr. Smeloff began to outline the steps currently being taken and the resources available to accomplish those policies. Commissioner Caen clarified that she wished to return to the issue of which policies were in the budget and which were not. Mr. Smeloff noted that the General Manager's budget requested an additional position that would be assigned to the energy efficiency group to develop a five-year energy efficiency plan. Mr. Smeloff stated that it was his belief that he had the resources necessary to carry out the Mayor's mandate.

Commissioner Werbach asked. as an example, if the initiative for the 50-megawatt wind generation was contained within the General Manager's budget. Mr. Smeloff answered affirmatively. Mr. Smeloff elaborated that the project would not be on-line until the end of 2006 and the resources necessary to pay for that power would be in a future budget.

Commissioner Werbach noted that he could not figure out how the budget items turned into real world undertakings. As an example, he cited the initiative to expedite the implementation of the San Francisco solar energy bonds. Commissioner Werbach asserted that this was not envisioned in the budget, as there were not going to be any bonds issued. Ms. Martel responded that was clear, however, an explanation had been offered on previous occasions.

Commissioner Caen again requested the discussion return to the budget and specifically to the question about HHWP reserves not matching the actuals.

Mr. Berry began by providing a revised presentation to the one from the first budget presentation. Mr. Berry noted that the beginning fund balance for the current fiscal year was $19.2 million, but the new number was $34.5 million, or approximately a $15 million difference. Mr. Berry stated that the discrepancy was due to the approved de-obligation of capital projects that were not anticipated.

Commissioner Werbach asked what the reserves for the next budget year were. Mr. Berry stated they were projected to be $33 million. Commissioner Werbach asked what the reserves were for 2001. Based on the graph presented and being reviewed, the reserves for 2000 were roughly $4 million, $9 million in 1999, and $50 million in 1998. Commissioner Werbach then asked what the reserves were for this year. Mr. Berry stated that at the beginning of the year, they were $34.5 million and would be $33 million at the end of the year. Commissioner Werbach then noted that in the executive summary of the budget, it stated that reserves at HHWP had not fully returned to pre-2001 levels; however, based on the information at hand, it appeared that reserves had tripled. Commissioner Werbach

then questioned the reliability of the figures. Mr. Berry noted that the numbers were projections and that staff was attempting to be conservative.

Mr. Art Jensen, Manager of Bay Area Water Supply and Conservation Agency (BAWSCA), stated that in general BAWSCA supported the Commission on the budget. Mr. Jensen thanked staff for responding to BAWSCA's questions and noted that they had some additional issues that would be followed up on subsequently. He again mentioned positions increasing and the pending Red Oak study and encouraged the Commission to consider some of the organizational issues by the time the General Manager brings forth a recommendation from the study. Mr. Jensen noted that this budget was a complicated one to prepare and review. He noted that one of things he believed the General Manager was attempting to do through the preparation of a strategic plan and goals and objectives was to identify activities and things to be accomplished so that the budget could be formed. He also stated that he hoped that the task force that Commissioner Normandy had suggested for developing the budget could be combined with the General Manager's strategic plan.

Commissioner Caen called for a motion on Resolution 4a. It was moved by Commissioner Costello and seconded by President Normandy.

Commissioner Werbach made the following statement for the record regarding his opposition to the Operations Budget: "As Commissioners of the Public Utilities Commission, we are charged with the fiduciary responsibility to oversee and approve the largest budget of any city agency in San Francisco. Our budget is roughly the size of El Salvador. What is at stake in the budget for me is the public's trust, and the trust is perhaps our most important part of our role in governance. The public can only trust that we do our jobs if they know that we have dotted every 'I' and crossed every 'T.' In the case of this budget, we as Commissioners are responsible for making sure that the budget reflects the values and goals of the people of this city. At this point, we have not changed a single item in a staff-presented budget. In the context of the serious questions that have been raised by members of this Commission, in the context of some of the information questions that I've raised, where I don't feel like I've gotten adequate initial answers, and only now, I'm getting corrections that lead to a whole other set of questions, both policy and financial, I don't feel as if I can support this budget. I think the suggestion of voting for a budget with no changes indicates a sense of faith in the staff-presented budget that I don't think reflects the feeling both inside and outside the Commission, that this organization needs to change significantly in order to implement the CIP, in order to develop a Clean Water Master Plan, and in order to move us toward energy independence for San Francisco. To my mind, we just haven't had time to review the budget in that kind of detail, and I commend the Chair for his suggestion to develop a new policy process. I do not believe that any corporate board would support a half-billion dollar budget with the level of review that we've given to this. I could not sign my name to this budget and say that I am sure and confident that the numbers in it are accurate. In fact, the only numbers

I've pushed on I've found haven't been accurate, which makes me deeply uncomfortable. So I will be unable to vote for this budget. I would say to you that this does not reflect at all negatively on my fellow members of the Commission, because I think they have worked their butts off within a very flawed process to try to find the best way to move this forward, and I appreciate that. I especially appreciate the leverage they've given me, as a new Commissioner, to push on these numbers and try to find the information, which is not something they needed to do, and I appreciate that. With that admonition, I will say that I will be voting against this budget."

President Normandy stated that while he shared the same misgivings as Commissioner Werbach, he also was aware of the need to move forward and that the discussion would continue with the City Controller, the BOS and the Mayor's staff, as well as the Mayor himself. The President agreed that the process was an imperfect one; however, it was also a time-sensitive one. For that reason, he stated he would vote to move the budget forward.

Vice President Costello echoed the President's sentiments and statements. He asserted that time was the most important element and while there were problems and disagreements, the process had to move on and the budget had to be adopted.

Commissioner Werbach again reiterated his opposition to the budget and made the following statement for the record: "Excuse me, I just want to be clear. I have put my back into trying to understand all the numbers here. So I really don't want to put on record that I don't understand the numbers in front of me. In fact, I am voting against this because I do understand the numbers in front of me, and that's why my opposition is here. I believe that the concerns that I have will be held up by the Mayor's Office, and will be held up by the BOS, and we will see the changes there. I just don't believe I can put my name and will not sign my name to something that I do not believe in, or have found to have mistakes in it—or just differences in policy."

Commissioner Caen called the question. President Normandy and Commissioners Caen and Costello voted aye. Commissioner Werbach voted nay and "asked the record show the reasons for the vote and the reasons against the vote." The resolution passed. *Commissioner Werbach requested that the record show the reasons for and against the vote.*

Commissioner Caen then moved to revenue-funded and CIP projects. Commissioner Werbach asked for clarification on a BOS directive regarding the HHWP Stabilization Fund. Ms. Martel stated the information Commissioner Werbach was reading related to the current year's budget and was not in the budget under consideration. Mr. Berry elaborated that the SFPUC was reserving the unspent portion of purchased power in the operating budget and that it could be used for solar projects with concurrence of the Controller.

Commissioner Caen called for a motion. It was moved by Vice President Costello and seconded by President Normandy. Commissioner Werbach stated his support because of the enormous importance of implementing the CIP. The vote was unanimous to approve the capital budget.

President Normandy commended Commissioner Caen for her work and patience. *He then requested the Commission Secretary to poll the members as to a convenient time to convene a special meeting to address the budget in its current form, or the possibility to improve the process and develop a task force.*

Commissioner Werbach noted Commissioner Brooks' interest in the issues. He also noted that he found the memo prepared by Mr. Berry useful.

Moved by Vice President Costello, seconded by President Normandy, to adopt the following resolution; passed (3-1). Commissioner Werbach voted no.

Resolution No. 04-0015: a) Adopt the proposed Operating Budgets for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2004-2005.

Moved by Vice President Costello, seconded by President Normandy, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0016: b) Adopt the proposed Capital Improvement Program for Hetch Hetchy Water & Power, Water, and Clean Water Enterprise for Fiscal Year 2004-2005.

There being no further business to discuss, the meeting was adjourned at 2:30 P.M.

Mary Y. Jung
Secretary

SFPUC

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CITY AND COUNTY OF SAN FRANCISCO

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MAYOR

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AGENDA

REGULAR MEETING

February 24, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

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The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

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ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Approval of Minutes

   a) Minutes of the December 15, 2003 Special Meeting

4. Communications

5. Old/Ongoing Business by Commissioners

6. Introduction of New Business by Commissioners

7. Report of the General Manager

   a) Lake Merced Update (Bartow)

   b) Energy Resource Investment Strategy (Smeloff)

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

   a) Bay Area Water Supply & Conservation Agency Update (Jensen)

9. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

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CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

a) Staff Recommendation: Award Contract No. CW-355, Lucerne Drainage Improvements, in the amount of $1,358,888 to Stacy Witbeck/Esquivel, J.V.

b) Staff Recommendation: Award Contract No. WD-2392, Crocker Pump Station Upgrade, in the amount of $2,225,000 to Trinet Construction.

c) Staff Recommendation: Award Contract No. WD-2452, Tesla Portal Roadway Improvement Project, in the amount of $244,131 to Esquivel Grading & Paving.

d) Staff Recommendation: Accept work performed for Contract No. WD-2343, Chlorine Station Refurbishments; approve Modification No. 4 (Final) decreasing the contract by $14,232, for a total contract amount of $1,298,279, and with a time extension of 43 consecutive calendar days for a total contract duration of 513 consecutive calendar days; and authorize final payment of $28,938 to L.C. General Engineering & Construction, Inc.

e) Staff Recommendation: Accept work performed for Contract No. WD-2384, Greenwich Street 8-Inch Ductile Iron Main Installation, approve Modification No. 2 (Final) decreasing the contract by $81,961, for a final contract amount of $766,378, and authorize final payment of $45,064 to J. Flores Construction, Inc.

REGULAR BUSINESS

11. Discussion and possible action related to Mr. Nathan Ratner. (Martel)

    Staff Recommendation: Approve resolution honoring Mr. Nathan Ratner for his strength, vigor and courage of his convictions, which spurred Mr. Ratner to a life of service to the San Francisco Public Utilities Commission and the residents of San Francisco, and to memorialize his extraordinary civic contributions.

12. Discussion and possible action related to SFPUC Debt Management Policy. (Continued from the meeting of February 10, 2004.) (Berry)

    Staff Recommendation: Adopt the Debt Management Policies and Procedures of the SFPUC and approve their inclusion in a Citywide debt management policies and procedures document.

13. Discussion and possible action related to formation of Budget Task Force. (Martel)

    Staff Recommendation: Authorize the General Manager of Public Utilities to create a task force for the purpose of reviewing the SFPUC budget process.

LEASES AND PERMITS

14. Discussion and possible action related to an easement deed with Pacific Gas & Electric Co. (Dowd)

    Staff Recommendation: Authorize the General Manager of Public Utilities to approve a modification to an existing Easement Deed with Pacific Gas & Electric Co., for the realignment of an existing gas line on City land located in Sunol, California.

PROFESSIONAL SERVICE CONTRACTS

Award

15. Discussion and possible action related to Agreement No. CS-742. (Continued from the meeting of February 10, 2004.) (Yee)

    Staff Recommendation: Approve the selection of Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; award professional services agreements to provide specialized geo-technical as-needed services for Agreement No. CS-742, Specialized Geo-Technical Services, to Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; and authorize the General Manager of Public Utilities to execute professional services agreements with each of these firms for $625,000 (and a total budgeted amount not to exceed $2,500,000), and a duration not to exceed 36 months from the Notice to Proceed for each agreement.

Amend

16. Discussion and possible action related to Agreement No. CS-672. (Continued from the meeting of February 10, 2004.) (Medbery)

    Staff Recommendation: Authorize the General Manager of Public Utilities to execute Amendment No. 2 to Agreement No. CS-672. The original agreement established a pre-selected environmental documentation pool including the EDAW/Talavera and Richardson Joint Venture, the ESA/Orion Joint Venture, the Jones and Stokes/Robert Group Joint Venture, LSA Associates and URS, Inc. The proposed amendment would increase the term of the pool from three years to four years and increase the total authorized spending authority to $8,000,000.

CLOSED SESSION

17. Public comments on matters to be discussed in Closed Session.

18. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

19. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Continued from the meeting of February 10, 2004.) (Milstein)

Property:	City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

20. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Continued from the meeting of February 10, 2004.) (Milstein)

Property:	City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

21. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Continued from the meeting of February 10, 2004.) (Milstein)

Property:	City of Mt. View, running between Whisman Rd., approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

22. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Continued from the meeting of February 10, 2004.) (Milstein)

Property:	City of Sunnyvale, located off Manzano Way, .75-acre site adjacent to pipeline r/w.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

23. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 10, 2004.) (Milstein)

Existing Litigation:	Alameda County Water District et. al. vs. SFPUC; JAMS #1100038728.

24. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Furman)

Existing Litigation: City and County of San Francisco v. Turlock Irrigation District; San Francisco Superior Court No. 323717.

25. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 10, 2004.) (Clayton)

Existing Litigation: McMillan Brothers Electric, Inc. vs. City & County of San Francisco; Unlitigated Claim No. 04-00462.

26. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 10, 2004.) (Clayton)

Existing Litigation: Tony Abraham; Unlitigated Claim No. 04-02051.

27. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 10, 2004.) (Clayton)

Existing Litigation: Scott Cameron; Claim No. 03-02720 (02-W-6024-1).

28. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Fire Insurance Exchange as subrogee for Weston Ngo; Claim No. 04-01037.

29. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Fire Insurance Exchange as subrogee for Suzanna Hernandez; Claim No. 04-01135.

30. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Christo Zouves & SAFECO Insurance vs. The City & County of San Francisco; Claim No. 04-00804.

31. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Barbara K. Altman; Claim No. 04-00649.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

32. Announcement following Closed Session.

33. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

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PUBLIC LIBRARY

MINUTES

February 24, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:40 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Adam Werbach, Commissioner Ryan L. Brooks

   Commissioner Ann Moller Caen arrived at 2:20 P.M.

3. Approval of Minutes

   Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the Minutes of the December 15, 2003 Special Meeting; passed (4-0) unanimously.

4. Communications

   President Normandy asked Ms. Patricia E. Martel, General Manager of Public Utilities, to comment on the letter received from San Francisco Beautiful (SFB) regarding the La Grande Water Tower and proceeding with the original design.

   Ms. Martel shared that the Arts Commission (AC) held a meeting February 23 and reviewed the current design of the tank, which evolved from a design presented to and approved by AC a year ago. She stated due to community and organized SFB opposition to the design, Supervisors Sophie Maxwell and Gerardo Sandoval requested SFPUC to hold a series of community meetings, to expand outreach and generate more public input to incorporate into a revised design. She stated that had been done. She stated review was also required by the Recreation and Park Commission (RPC), as the tank is located in MacLaren Park. She stated they approved it and it then had to be presented to AC.

   Ms. Martel stated there was still some public opposition on the design at the AC's last meeting, despite the public outreach and participation process. She noted the design had been revised several times. She stated a full presentation on how the design evolved was requested for the AC's February 23 meeting, after which community input to move forward with the project and support for the design was expressed to the Commission. Ms. Martel stated she urged the AC to either accept the current design or the previous design so that the project could move forward because time and money were being lost in the delay.

   Ms. Martel stated AC elected to return to the original design approved in February 2003, and told SFPUC to move forward with implementing the project. She stated it was SFPUC's intent to move ahead with the design previously approved.

Commissioner Werbach stated public input was received and changes were made based on the input, but that now it had been decided not to use that design.

Ms. Martel clarified the SFPUC did not make the decision, rather it was AC that approved the design presented last February. She noted at AC's meeting yesterday, members of the public shared they preferred the original design and to move forward quickly. She stated the majority of the community members present agreed with the AC's direction. She stated SFB had objected to the process, which was documented to the RPC and AC. She stated the documentation demonstrated the frequency and attendance of the public meetings and public input. She noted that SFB was a minority perspective amongst the public members involved.

Commissioner Werbach inquired about Supervisors Maxwell and Sandoval.

Ms. Martel stated Supervisor Maxwell's representative at the meeting shared she was satisfied with moving ahead on the project. She noted Supervisor Sandoval was not present, but she understood he was in approval as indicated previously.

President Normandy requested Ms. Martel reply to SFB's letter indicating that all the appropriate steps had been taken by the SFPUC and that with the approvals from RPC and AC, the project would proceed.

President Normandy noted the letter received from Sheila Barry regarding the Grazing Resources Management Plan. *He requested staff reply and invite Ms. Barry to make a presentation to the Commission regarding the current status on the grazing plan for the Alameda Watershed.*

Ms. Martel agreed to do so.

5. Old/Ongoing Business by Commissioners

President Normandy reiterated for the record the Commission's interest in staying apprised on the Hetch Hetchy rental issue and requested Ms. Martel update them with frequent reports.

Commissioner Brooks asked to reserve the right to come back to Old/Ongoing Business later in the meeting regarding an issue he had raised several weeks ago that was being investigated by SFPUC's City Attorney. President Normandy agreed to the request.

President Normandy stated the Commission wanted to move quickly on the organizational performance assessment and emphasized two areas: 1) compress the timeframes to allow for reorganization within this calendar year, and 2) modify the instructions to the consultant that the assessment include an action plan from which the reorganization plan can be implemented expeditiously.

Ms. Martel stated she and her Chief of Staff had a teleconference with the consultants regarding the performance assessment that morning and outlined ongoing issues and emphasized the Commission's desire to expedite the assessment to implement the reorganization. She stated it might require adding another consultant to the team, but that the report could be completed in a shortened timeline.

She stated she intended to present the first phase of the performance assessment to the Commission in March with an action plan to implement and recommendations for the long term. She stated she understood the directive from the last budget hearing to move ahead and expedite the strategic planning process. She stated she hoped to present a plan and timeline to the Commission within the next few meetings.

President Normandy thanked Ms. Martel and reemphasized the Commission's directive for a reorganization plan with a business model in mind to be completed this calendar year. He stated it was necessary to have the strategic business plans and financial plans for the agency's operations.

Commissioner Werbach asked what was to be completed by March. President Normandy stated it was Ms. Martel's intent to submit a report on the first phase of the performance assessment, and secondly, a strategic business plan.

Commissioner Brooks stated during the budget hearing there was discussion about a mercury clean-up, and that he requested the City Attorney to provide the Commission with information on the cleanup. *He requested mercury clean-up be placed on Old/Ongoing Business for discussion during Closed Session because of legal ramifications.*

President Normandy and the Commission concurred on the request.

6. Introduction of New Business by Commissioners

Commissioner Werbach inquired if the budget and budget summary had been submitted to the Mayor's Office. Mr. Carlos Jacobo, Financial Services Budget Manager, stated it was submitted Friday.

Commissioner Werbach requested that the revised executive summary to the budget be provided to the Commission. Mr. Jacobo agreed to do so. *President Normandy requested that the revised executive summary be provided by Monday, March 1.*

President Normandy announced that Mr. Alan Friedland, retired Deputy Director of the Clean Water Enterprise, had died and that staff was going to honor him.

7. Report of the General Manager

President Normandy requested to take the agenda out of order and present the Energy Resource Investment report when Commissioner Caen arrived.

a) Lake Merced Update

Mr. Greg Bartow, Groundwater Program Manager, updated the Commission on two items. He shared that the pilot storm water wetlands treatment project had all the necessary approvals and the first discharges would begin February 25. He noted this was the first time storm water was being added to Lake Merced in a controlled and monitored manner. Through photographs, Mr. Bartow showed how storm water from Daly City that had at one time fed the lake had been diverted since the 1920's to the Pacific Ocean. He stated that storm water would once again be added back to the lake with the long-term goal of raising and maintaining lake levels. He showed how the storm water was being diverted from Vista Grande Canal through a treatment system to remove litter and debris and then run through a pipe into the lake. He acknowledged the 24 participants in SFPUC, Daly City, Recreation & Park, and Public Health that worked on the project.

Mr. Bartow stated his second item related to the groundwater management plan for the Northwest Side Basin. He shared it was part of the CIP and that the public involvement process would begin in March. He stated the goal for the plan was to develop an emergency and drought groundwater supply for the City in the Sunset District while protecting the surface water features of Pine Lake and Lake Merced. He stated several groundwater monitoring wells had been drilled along the Great Highway to allow for gathering data to develop baseline information to better understand and manage groundwater pumping so we don't induce saltwater intrusion and have some good baseline data.

Commissioner Brooks inquired if the storm water being pumped into the lake had been tested for chemicals that might pollute the lake. Mr. Bartow stated an extensive testing program had been done with a sampling for a wide range of pollutants. He stated the concern and focus was for bacteriological and nutrient pollutants and the removal technologies for them.

Ms. Martel further commented that the partnerships were key to the success at Lake Merced. She acknowledged the City of Daly City as a strong partner and wholesale customer. She stated partnerships with San Bruno and other North County wholesale customers were also producing good results related the groundwater basin in terms of environmental stewardship, management of water resources and the basin, recycled water, and storm water. She acknowledged Mr. Bartow's role in these efforts.

Ms. Martel stated she had another report not listed on the agenda. She shared that she represented the SFPUC at the 14th Annual Berkeley Springs Water Tasting Competition in Berkeley Springs, West Virginia the past weekend. She stated SFPUC entered its municipal water and its bottled water into those tasting categories. She reported SFPUC ranked 4th out of 39 entrants in the municipal category. She shared that Desert Hot Springs, California was 1st, Daytona Beach, Florida was 2nd and Mechanicsville, Kentucky was 3rd. She stated it was significant for SFPUC to be

named a finalist. She stated SFPUC planned on competing next year and hopefully be a finalist again for municipal tasting and to earn an award for its bottled water.

President Normandy took the agenda out of order, skipping Item 7b until Commissioner Caen arrived.

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

    a) Bay Area Water Supply & Conservation Agency Update

    Mr. John Ummel, BAWSCA representative, stated BAWSCA General Manager Art Jensen was unable to attend but would report in a future meeting on his discussion with the BAWSCA Board regarding the Brown-Caldwell Report on the subject of the "SFPUC getting the job done." He provided the Commission with copies of the report.

    Ms. Martel stated SFPUC was in receipt of the report and that she requested staff to prepare a response to the report that would be incorporated into a letter she would transmit to Mr. Jensen and the BAWSCA Board. She stated a copy of SFPUC's analysis of the report would be provided to the Commission.

9. Public Comments on matters not on today's agenda.

    There were none.

CONSENT CALENDAR

10. Moved by Commissioner Werbach, seconded by Commissioner Brooks, to adopt the items (a-e) listed under the Consent Calendar; passed (5-0) unanimously.

    a) Resolution No. 04-0017: Award Contract No. CW-355, Lucerne Drainage Improvements, in the amount of $1,358,888 to Stacy Witbeck/Esquivel, J.V.

    b) Resolution No. 04-0018: Award Contract No. WD-2392, Crocker Pump Station Upgrade, in the amount of $2,225,000 to Trinet Construction.

    c) Resolution No. 04-0019: Award Contract No. WD-2452, Tesla Portal Roadway Improvement Project, in the amount of $244,131 to Esquivel Grading & Paving.

    d) Resolution No. 04-0020: Accept work performed for Contract No. WD-2343, Chlorine Station Refurbishments; approve Modification No. 4 (Final) decreasing the contract by $14,232, for a total contract amount of $1,298,279, and with a time

extension of 43 consecutive calendar days for a total contract duration of 513 consecutive calendar days; and authorize final payment of $28,938 to L.C. General Engineering & Construction, Inc.

e) Resolution No. 04-0021: Accept work performed for Contract No. WD-2384, Greenwich Street 8-Inch Ductile Iron Main Installation, approve Modification No. 2 (Final) decreasing the contract by $81,961, for a final contract amount of $766,378, and authorize final payment of $45,064 to J. Flores Construction, Inc.

REGULAR BUSINESS

11. Discussion and possible action related to Mr. Nathan Ratner.

President Normandy stated Mr. Ratner had given a tremendous sacrifice of self and time in the service of the City & County of San Francisco, and particularly as a member of the Residential Users Appeals Board of the SFPUC. *President Normandy requested Commission Secretary Mary Jung to advise staff of the memorial service in Mr. Ratner's honor on March 19.*

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0022: Approve resolution honoring Mr. Nathan Ratner for his strength, vigor and courage of his convictions, which spurred Mr. Ratner to a life of service to the San Francisco Public Utilities Commission and the residents of San Francisco, and to memorialize his extraordinary civic contributions.

12. Discussion and possible action related to SFPUC Debt Management Policy. (Continued from the meeting of February 10, 2004.)

Mr. William Berry, Assistant General Manager of Business Services, stated that changes had been made on the draft of the Debt Management Policies in consultation with the City Attorney's Office.

Commissioner Brooks stated Section VI, Part b of the document stated "all proposed new long-term financing transactions for capital improvements shall be reviewed and approved by the Capital Improvement Advisory Committee (CIAC)." He asked if the CIAC had the charter and legal authority to approve a bond or financing, or if they could only recommend. Mr. Berry stated it was required to take all capital projects to the CIAC as they approve capital budgets. He was not certain if they approved specific bond issues.

Commissioner Brooks asked for clarification if the CIAC had authority over what the Commission said. Mr. Berry responded that the Commission approved SFPUC bond sales, which in turn had to be approved by the BOS as part of the process.

Commissioner Brooks stated he understood the BOS process, but he did not understand why the CIAC had approval authority over the Commission. He asked if the CIAC just recommended or if it actually approved. Ms. Vicki, SFPUC Legal Counsel, asked to research the CIAC's authority after issuance of Proposition E and to report back.

President Normandy suggested the wording on page 3, Roman numeral 6, lower case numeral b, be revised from "reviewed and approved" to "reviewed and recommended." He asked Commissioner Brooks if he wanted to continue the item until the issue was resolved. Commissioner Brooks responded affirmatively.

Moved by Commissioner Brooks, seconded by Commissioner Werbach, to continue Item 12 to the next regular Commission meeting scheduled on March 9, 2004; passed (4-0) unanimously.

Staff Recommendation: Adopt the Debt Management Policies and Procedures of the SFPUC and approve their inclusion in a Citywide debt management policies and procedures document.

13. Discussion and possible action related to formation of Budget Task Force.

President Normandy stated at the final budget hearing, he had requested a review of the SFPUC budget process with simplification and an earlier process in mind. He suggested that it start in September/October to give the Commission, BAWSCA and other stakeholders time to digest the budget before it was approved. He suggested the formats of the budget be improved to enable comparison of previous years to the current period. He stated the reason for the item was to create an internal Budget Task Force (BTF) whose charge was to recommend to the Commission how best to improve the budget process. He stated the first step was the selection of staff to serve on the BTF by the General Manager. He noted the City Attorney's Office advised that external membership would require a longer noticing period.

Ms. Martel asked if starting earlier in September/October meant for the staff process. President Normandy answered affirmatively. Ms. Martel stated it took from 4-8 weeks to put the entire budget process through its cycles and do the necessary detail work. She stated this needed to be factored in regarding time to be allocated for the Commission's and BAWSCA's review.

Commissioner Caen arrived at 2:20 P.M.

President Normandy stated it was understood that some of the budget would not have definitive information early in the process. He stated now was the time to improve the

process to allow for better understanding on the part of the public and stakeholders of the budgets that the Commission approves.

Commissioner Werbach stated he was frustrated by the budget process this year and hoped the process would be improved for the coming year. He stated he was more concerned with the policy guidance the General Manager would be taking from the Commission for the first draft of the budget than with the numbers themselves. He stated during the summer, before September, is when he would like to discuss policy to build next year's budget. He stated he wanted within the resolution the sense of gathering the existing budget-effecting policy guidance the Commission had issued. He shared that, as a new Commissioner, he did not know of a source to look at for all the decisions the Commission had made that guided the General Manager in forming the budget to make sure that policy guidance was followed. He further stated, if he disagreed with the policy guidance, he would like the issues to come before the Commission for discussion.

President Normandy stated creating a staff BTF was the first step to achieving the resolution's intent and making the budget a valuable document for management. He stated the budget should be a living document and management tool for analysis. He stated the discussion should take into account the existing policies and policies that might need amending to allow for constant and complete fiscal analysis.

Commissioner Brooks asked if there was a repository of policies. President Normandy responded that the Commission Secretary had files of all the resolutions and policies that evolved from the resolutions. *Commissioner Brooks requested the files.*

President Normandy stated the purpose of the discussion was to request Ms. Martel to get started on a process. He stated there would not be complete answers in the beginning and suggested that further questioning be raised on an ongoing basis to work toward improvements on the budget process. He suggested it be a productive exercise whose initial talking points be format, timing, related analyses and reports, and frequency of analysis.

Commissioner Werbach stated he appreciated Commissioner Brooks question about gathering policies and wondered if the minutes were a source for the information. He stated other boards he had served on had a clear set of policy votes, when they happened and the budget-affecting ones in a binder. He understood that SFPUC might not have that prepared and that it might take some work to gather it. He suggested the Commission review decisions that had been made and put them in a business unit to make sense for that piece.

President Normandy clarified that the raw information was there, but not in the format that was desired.

Ms. Martel clarified that the minutes of the past budget hearings reflect the policy direction given by the Commission. She stated what would be new was trying to codify

each set of directions from the Commission, which came in the form of amending the budget. She stated the budget information that exists had not been codified into a set of budget policies that had been established over the years. She stated there was no binder entitled "Budget Policies" that could be provided to the Commission. She stated information could be gathered from the minutes of the budget meetings.

Ms. Martel provided background on how the budget evolved. She stated SFPUC received broad budget preparation guidelines from the Mayor's Office. She stated policy direction was received from the Commission when they reviewed the budget. She stated if the Commission's priorities were not reflected in the budget, they gave direction to staff and the budget was amended. She stated that had been the nature of budget policy direction. She noted budget discussions had been consistent year to year.

Commissioner Caen suggested it might be beneficial to look at other City departments' and their processes.

Commissioner Werbach commented that priorities were important in addition to policy.

President Normandy outlined the objectives of the BTF: 1) allow more time for review before voting on the budget, 2) allow the budget to fit together with the Commission and the enterprises, 3) allow the ability to examine past performance, and 4) allow for exercises to make the budget more valuable. He shared that up until 6-7 years ago, SFPUC was part of Muni and that 99% of the focus was placed on Muni concerns. He stated water, clean water and power issues had not been priorities at that time.

Commissioner Werbach asked who would be handling policies and priorities. Ms. Martel responded there was value in improving the budget process and saw the opportunity was forthcoming. She stated she would look into a timeline, but more details and a process were needed.

Public Comment:

Mr. David Pilpel, San Francisco resident, asked what the composition of the BTF would be and if a member of the public would be able to attend or be a member. He stated he was interested in serving on the BTF either now or in the future.

President Normandy responded that the BTF would be internal staff initially and would expand over time.

Commissioner Werbach requested adding the BTF to Old/Ongoing Business to look at it on a continuing basis.

Moved by Commissioner Werbach, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0023: Authorize the General Manager of Public Utilities to create a task force for the purpose of reviewing the SFPUC budget process.

7. General Manager's Report

b) Energy Resource Investment Strategy

Mr. Edward Smeloff, Assistant General Manager of Power Policy, Planning & Resource Development, shared that today's presentation was requested by Commissioner Caen. He introduced Dr. Joel Swisher, Rocky Mountain Institute Engineer, the author of the study done on San Francisco's energy. He stated the study was funded by a grant from the Energy Foundation.

Dr. Swisher presented a PowerPoint entitled "Energy Resource Investment Strategy (ERIS): A Long-Term Vision for SF's Energy Future," which was a synthesis of the report completed in December 2003 entitled "An Energy Resource Investment Strategy (ERIS) for the City and County of San Francisco."

Dr. Swisher's presentation addressed the geographic limits on the San Francisco electric system and how energy planning needed to address San Francisco's energy vulnerabilities in order to achieve the long-term goal of replacing fossil generation in the City. His presentation provided data on San Francisco electricity demands and how energy efficiency in future San Francisco resource portfolios needed to address summer and winter peaks, the short-term focus of closing Hunters Point Power Plant, and the longer-term goal of limiting and reducing maximum demand.

Dr. Swisher covered the 2006 key planning issues with the objective of closing Hunters Point Power Plant. He shared the major uncertainties were load growth and the fate of the Potrero Unit 3 Power Plant. He noted the key new resources were in-City peakers and local transmission projects.

He covered the 2013 key planning issues with the objective of closing the Potrero Power Plant. He shared the major uncertainties were load growth, timing of Jefferson-Martin, and impact of demand-side management programs. He noted the key new resources were more power from Hetchy-Hetchy, Jefferson-Martin and Martin-Mission transmission projects, energy efficiency and load management programs, and co-generation.

Dr. Swisher covered the 2020 key planning issues with the objective of closing the new (now old) peakers. He shared the major uncertainties were load growth, impact of demand-side management programs, and cost-effectiveness of fuel cell technology. He noted the key new resources were wind power imported from outside SF Peninsula, energy efficiency and load management programs, and distributed fuel cell co-generation.

Dr. Swisher provided information on local economic development and net job creation through the ERIS program as well as a project-level financial analysis. He outlined how the efficiency and distributed generation program options would enhance public-private cooperation. Dr. Swisher concluded his presentation with recommendations related to the new efficiency program related to municipal, commercial and residential applications.

Commissioner Caen inquired what a fuel cell was. Dr. Swisher answered that it was like a battery and used hydrogen. He stated they were very efficient and clean and noted that they were flexible and modular in that different wattages could be fit to a load.

Commissioner Caen inquired if the Jefferson-Martin was solely for transmission. Dr. Swisher answered affirmatively.

Commissioner Caen asked if renewables were transmitted in the same way. Dr. Swisher stated that wind and hydro renewables would all come through the corridor of San Francisco and that solar had the ability to not come through the corridor.

Commissioner Caen asked if new loads could be estimated. Dr. Swisher replied that new loads could be estimated, but that recessions and other scenarios came into the picture, so that a plausible range was the outcome.

Commissioner Werbach inquired if the scenario planning considered one without the peakers. Dr. Swisher stated in the early stages it was considered, but in the later stage it was not. Mr. Smeloff stated that three scenarios were done based on combining Jefferson-Martin with City generation. He commented that the International Organization for Standardization (ISO) would be the determining body and that their position was that new generation was needed in the City. Commissioner Werbach commented that he needed more information to know the options. Mr. Smeloff stated more analysis was forthcoming.

Commissioner Brooks commented costs were not mentioned and asked about a cost analysis and how much it would cost. Dr. Swisher stated that portfolios in the report provided information.

President Normandy concluded that more information was needed and noted that fuel cells require water and posed what impact this would have on SFPUC's water supply.

To access Dr. Swisher's report and PowerPoint presentation, use this link: http://sfwater.org/detail.cfm/MC_ID/7/MSC_ID/64/MTO_ID/128/C_ID/1346

LEASES AND PERMITS

14. Discussion and possible action related to an easement deed with Pacific Gas & Electric Co.

Moved by Commissioner Brooks, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 040024: Authorize the General Manager of Public Utilities to approve a modification to an existing Easement Deed with Pacific Gas & Electric Co., for the realignment of an existing gas line on City land located in Sunol, California.

PROFESSIONAL SERVICE CONTRACTS

Award

15. Discussion and possible action related to Agreement No. CS-742. (Continued from the meeting of February 10, 2004.)

Moved by President Normandy, seconded by Vice President Costello, to continue Item 15 to the next regular Commission meeting scheduled on March 9, 2004; passed (5-0) unanimously.

Staff Recommendation: Approve the selection of Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; award professional services agreements to provide specialized geo-technical as-needed services for Agreement No. CS-742, Specialized Geo-Technical Services, to Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; and authorize the General Manager of Public Utilities to execute professional services agreements with each of these firms for $625,000 (and a total budgeted amount not to exceed $2,500,000), and a duration not to exceed 36 months from the Notice to Proceed for each agreement.

Amend

16. Discussion and possible action related to Agreement No. CS-672. (Continued from the meeting of February 10, 2004.)

Moved by Commissioner Brooks, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0025: Authorize the General Manager of Public Utilities to execute Amendment No. 2 to Agreement No. CS-672. The original agreement established a pre-selected environmental documentation pool including the EDAW/Talavera and Richardson Joint Venture, the ESA/Orion Joint Venture, the Jones and Stokes/Robert

Group Joint Venture, LSA Associates and URS, Inc. The proposed amendment would increase the term of the pool from three years to four years and increase the total authorized spending authority to $8,000,000.

CLOSED SESSION

17. Public comments on matters to be discussed in Closed Session.

    There were none.

18. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

    Moved by Commissioner Werbach, seconded by Vice President Costello, to assert the attorney-client privilege; passed (5-0) unanimously.

President Normandy recessed the meeting at 3:41 P.M.

The meeting reconvened at 3:52 P.M.

The Public Utilities Commission met in Closed Session at 3:52 P.M. to discuss the following matters:

23. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 10, 2004.) (Milstein)

    Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Rate Administrator William Laws, and Deputy City Attorney Joshua Milstein.

    Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

    Existing Litigation: Alameda County Water District et. al. vs. SFPUC; JAMS #1100038728.

    Resolution No. 04-0026

19. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Continued from the meeting of February 10, 2004.) (Milstein)

    Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung,

SFPUC Real Estate Services Director Gary Dowd, and Deputy City Attorney Joshua Milstein.

Property:	City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

No action was taken.

20. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Continued from the meeting of February 10, 2004.) (Milstein)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Director Gary Dowd, and Deputy City Attorney Joshua Milstein.

Property:	City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

No action was taken.

21. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Continued from the meeting of February 10, 2004.) (Milstein)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Director Gary Dowd, and Deputy City Attorney Joshua Milstein.

Property:	City of Mt. View, running between Whisman Rd., approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

No action was taken.

22. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Continued from the meeting of February 10, 2004.) (Milstein)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, SFPUC Real Estate Services Director Gary Dowd, and Deputy City Attorney Joshua Milstein.

Property:	City of Sunnyvale, located off Manzano Way, .75-acre site adjacent to pipeline r/w.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

No action was taken.

24. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Furman)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Moved by Vice President Costrello, seconded by Commissioner Werbach, to continue Item 24 to the next regular Commission meeting scheduled on March 9, 2004; passed (5-0) unanimously.

Existing Litigation:	City and County of San Francisco v. Turlock Irrigation District; San Francisco Superior Court No. 323717.

25. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 10, 2004.) (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Existing Litigation:	McMillan Brothers Electric, Inc. vs. City & County of San Francisco; Unlitigated Claim No. 04-00462.

Resolution No. 04-0027

26. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 10, 2004.) (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Existing Litigation: Tony Abraham; Unlitigated Claim No. 04-02051.

Resolution No. 04-0028

27. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 10, 2004.) (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Existing Litigation: Scott Cameron; Claim No. 03-02720 (02-W-6024-1).

Resolution No. 04-0029

28. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Existing Litigation: Fire Insurance Exchange as subrogee for Weston Ngo; Claim No. 04-01037.

Resolution No. 04-0030

29. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Existing Litigation: Fire Insurance Exchange as subrogee for Suzanna Hernandez; Claim No. 04-01135.

Resolution No. 04-0031

30. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Existing Litigation: Christo Zouves & SAFECO Insurance vs. The City & County of San Francisco; Claim No. 04-00804.

Resolution No. 04-0032

31. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Existing Litigation: Barbara K. Altman; Claim No. 04-00649.

Resolution No. 04-0033

Following the Closed Session, the Commission reconvened in open session at 4:04 P.M.

32. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

33. Motion regarding whether to disclose the discussions during Closed Session.

There being no further business to discuss, the meeting was adjourned at 4:05 P.M.

Mary Y. Jung
Secretary

SFPUC

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CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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AGENDA

REGULAR MEETING

March 9, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance
(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Approval of Minutes

4. Communications

5. Old/Ongoing Business by Commissioners

6. Introduction of New Business by Commissioners

7. Report of the General Manager

   a) Update on Recent Floods (Martel)

   b) California Water Environment Association–SF Bay Section Annual Awards (Keaney)

   c) Partnership for Safe Water Awards (DeGraca)

8. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

CONSENT CALENDAR

9. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

   a) Staff Recommendation: Accept work performed for Contract No. WD-2393, Seismic Upgrade of Bay Division Pipeline Nos. 1 and 2 at the Hayward Fault Crossing – Phase B, approve Modification No. 8 (Final) decreasing the contract by $2,000.00, for a total contract amount of $2,639,723.09, and authorize final payment of $139,742.61 to JMB Construction, Inc.

REGULAR BUSINESS

10. Discussion and possible action related to Debt Management Policies and Procedures. (Continued from the meeting of February 24, 2004.) (Berry)

    Staff Recommendation: Adopt the Debt Management Policies and Procedures of the SFPUC and approve their inclusion in a Citywide debt management policies and procedures document.

11. Discussion and possible action related to a Design-Build Agreement for a solar power plant at Southeast Water Pollution Control Plant. (Smeloff)

    Staff Recommendation: Authorize the General Manager of Public Utilities to sign a Design-Build Agreement between the SFPUC and Sierra Electric, in an amount not to exceed $1.8 million, for the turnkey design and construction of a solar power plant at SFPUC's Southeast Water Pollution Control Plant. This is the second installation in the City's Municipal Solar Energy Program. Funds for this installation are budgeted in a capital project under the Mayor's Energy Conservation Account.

12. Discussion and possible action related to the Legislative Program for 2004. (Arena and MacLachlan)

    Staff Recommendation: Consideration and approval of the Legislative Program for 2004, as described in the Government Affairs Plan and resolution.

CONSTRUCTION CONTRACTS

Award

13. Discussion and possible action related to Contract No. CW-280. (M. Wong)

Staff Recommendation: Award Contract No. CW-280, SEWPCP Building 840/860 Ventilation and Odor Control Improvements, in the amount of $4,800,000, to Schram Construction, Inc.

Close

14. Discussion and possible action related to Contract No. WD-2328. (Nguyen)

Staff Recommendation: Accept work performed for Contract No. WD-2328, Main and Spear Streets 8-Inch Ductile Iron Main Installation, approve Modification No. 1 (final), decreasing the contract by $134,276, for a final contract amount of $675,824 and with a time extension of 78 calendar days for a total contract duration of 338 consecutive calendar days, and authorize final payment of $50,506 to Shaw Pipeline, Inc.

PROFESSIONAL SERVICE CONTRACTS

Award

15. Discussion and possible action related to Agreement No. CS-742. (Continued from the meeting of February 24, 2004.) (Yee)

Staff Recommendation: Approve the selection of Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; award professional services agreements to provide specialized geo-technical as-needed services for Agreement No. CS-742, Specialized Geo-Technical Services, to Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; and authorize the General Manager of Public Utilities to execute professional services agreements with each of these firms for $625,000 (and a total budgeted amount not to exceed $2,500,000), and a duration not to exceed 36 months from the Notice to Proceed for each agreement.

16. Discussion and possible action related to Agreement No. CS-704. (Huey)

Staff Recommendation: Approve the selection of MWH-LEE Joint Venture, award a professional services agreement to provide professional engineering work in the field of water treatment and operations for Agreement No. CS-704, Harry Tracy Water Treatment Plant Filter Design & Study, and authorize the General Manager of Public Utilities to execute a professional services agreement with MWH-LEE Joint Venture for an amount not to exceed $375,000, and with a duration of 3 years.

Amend

17. Discussion and possible action related to Agreement No. CS-658. (Arena)

Staff Recommendation: Approve Amendment No. 4 to Agreement No. CS-658, Legislation Representation and Advocacy Services, with the Palmetto Group, and authorize the General Manager of Public Utilities to execute this amendment increasing the agreement by $70,013, for a total agreement amount not to exceed $734,596 and a time extension of 2 months, for a total agreement duration of 31 months.

CLOSED SESSION

18. Public comments on matters to be discussed in Closed Session.

19. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 24, 2004.) (Milstein)

Existing Litigation: City and County of San Francisco v. Turlock Irrigation District; San Francisco Superior Court No. 323717.

21. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Existing Litigation: Unlitigated Claim, Jane Shamamy; Claim No. 04-02178.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

22. Announcement following Closed Session.

23. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

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SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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MINUTES

March 9, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:40 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam Werbach, Commissioner Ryan L. Brooks

3. Approval of Minutes

   There were no minutes to approve.

4. Communications

   No action was taken.

5. Old/Ongoing Business by Commissioners

   Commissioner Werbach stated that he had not received a set of budget policies for the new Commissioners to review that was requested during the last meeting. Ms. Patricia E. Martel, General Manager of Public Utilities, stated she would take note and make sure they were transmitted. President Normandy commented that during the discussion at the last meeting on the budget policy matter, the Commission was made aware of the fact that there were policies that became practice rather than policy. He reminded staff to include that in the packet. He asked Commissioner Werbach if that was his interest as well, to which he responded affirmatively.

   President Normandy requested that staff refine the existing elements in the current performance assessment contract to make it not just a status report, but an action plan toward the restructuring of the agency as articulated by the Commission in March 2003. He suggested consulting with the City Attorney's Office (CAO) on the details of making refinements.

   President Normandy stated the Commission had addressed the issue of the hiatus of *The Flow,* SFPUC's newsletter, in previous meetings. He stated for the record, *The Flow* was conceived as both an internal and external communications vehicle for staff, stakeholders and the public. He stated with the resurrection of *The Flow*, he would volunteer to meet with staff to ensure that the first issue met the objectives articulated by the Commission at its inception. *President Normandy requested Ms. Martel set up a meeting with staff and him.*

   President Normandy's third item related to past discussions on vehicle use and the consideration that vehicle usage not only be management practice, but policy as well. *He requested Ms. Martel provide suggestions to achieve several objectives: 1) vehicle use needed to be authorized by the General Manager, particularly at the*

senior level, 2) unauthorized expenses by individuals overextending authority needed to be reimbursed to the SFPUC, and 3) vehicles not conforming to SFPUC vehicle guidelines needed to be returned to Administrative Services for other City departments to use and reimbursement needed to be provided to SFPUC. He stated his request was also for further review of the management practices, and if there were policies that needed to be raised to the Commission level, that it be done soon.

Vice President Costello concurred with President Normandy's statements.

Commissioner Brooks shared the Department of Administrative Services had done a review of fleet management and best practices and encouraged Ms. Martel to utilize their work. He stated that he believed SFPUC had vehicles that should be categorized differently, such as security. He hoped the General Manager would incorporate that into the overall view of SFPUC's fleet management program.

Ms. Martel concurred with President Normandy and Vice President Costello and stated she had begun the process of creating policy guidelines that previously did not exist. In response to Commissioner Brooks, she stated SFPUC operated under the guidelines established by the Administrative Services Department. She informed the Commission she would be meeting with the Administrative Services Director to discuss their review of certain fleet management practices. She stated an internal assessment had already taken place. She noted this year's budget included a fleet manager position to oversee the fleet and policy guidelines.

President Normandy stated the Commission awaited her report and stated it was good to look at equipment as pointed out, not just vehicles. He stated with fiscal responsibility at hand, he wanted to extend tighter oversight to computers, networks connected to computers and cellular phones.

6. Introduction of New Business by Commissioners

Commissioner Werbach stated he gained insight from a tour of the Peninsula Watershed and other parts of the SFPUC system and that it raised some issues. *Commissioner Werbach requested that a presentation be made to the Commission within a month's time on the environmental considerations of the Calaveras Dam project. He requested that the presentation address the thinking to date on the environmental consequences of increasing the size of the dam and the resulting flooding of side canyons and natural areas.*

7. Report of the General Manager

   a) Update on Recent Floods

Ms. Martel stated an extremely intense storm hit San Francisco on February 25, and met the criteria of a 100-year storm. She stated torrential rains overwhelmed

the combined sewer system resulting in flooded streets, private property flooding and other related damage. She informed the Commission and the public present that two staff members would provide a detailed presentation on the issues related to the flooding, how SFPUC responded to the emergency and future plans for addressing issues related to flooding. She stated she would provide a summary of today's meeting with the director and staff of the Department of Public Works (DPW), in which the storm, the City's response to the flooding and a plan for addressing flooding issues in the future were discussed.

Mr. Tom Franza, Water Pollution Control (WPC) Division Manager, reiterated the storm intensity was extreme and that San Francisco's combined sewer system was designed to handle a 5-year storm.

President Normandy asked for a definition of a 5-year storm. Mr. Franza stated a 5-year storm was a storm intensity expected once every 5 years based on statistical analysis of storms in the vicinity. He stated rain gage measurements around the City on February 25, reported over 1.3 inches of rain in 1 hour, which according to statistical charts indicated a greater than 100-year storm. He stated other measurements indicated greater than 25- and 50-year storm intensities. He noted it wasn't just how much rain fell, but the duration of the rainfall.

Mr. Franza shared a chart of the compiled rain gage data for February 25. He pointed out that the storm began with average 1-year rainfall, but that during a 1-hour period the storm peaked anywhere from a 5-year to 100-year to a 200 to 500-year storm, as measured at San Francisco State University (SFSU).

He stated calls came in quickly on February 25 to the SFPUC sewer dispatch office, with a total of 375 calls to sewer operations with 300 of them in a 6-hour period between 6:00 AM and Noon. He shared a typical week might have 100-125 calls for sewer service. He stated for February 25-26, 600 calls were received and the week totaled 775 calls.

Commissioner Werbach inquired how the callers were responded to and how the calls were tracked. Mr. Franza responded that all calls were tracked in the SFPUC database. He noted on a typical day of 20 calls, they were handled in chronological order, unless it was a major flooding or serious sewage issue. He stated a rainy day of 100 calls stressed the ability of WPC to respond with the resources available and that 300 calls in a morning was very stressful.

Ms. Martel added that the 375+ calls the SFPUC received were only part of the calls received by the City. She stated DPW also received calls related to flooding issues to which they responded. She noted it wasn't just the WPC dispatch but that City Distribution Division (CDD) also received many calls. She stated the problem in addressing service calls was that it was suspected that not everyone called SFPUC or DPW; but quite possibly also called 911 or other departments. She stated she would speak later to the viewpoint that it was understood that a better

job of coordinating with the San Francisco Police Department (SFPD), the San Francisco Fire Department (SFFD), and the Office of Emergency Services (OES) needed to be done in the future. President Normandy stated the comments made evident the need for a 311 emergency system.

Commissioner Werbach asked if there was a break point in the lengthy presentation at which time the public present could give comment providing the Commissioners a base of knowledge from which to ask their questions. Ms. Martel responded that was possible, stating it would be helpful to take the publics' questions first, adding that they would benefit from the detailed information in the report. President Normandy suggested that the natural break would be before Ms. Labonte's portion of the presentation.

Mr. Franza displayed a scatter chart showing where the calls came from during the storm, noting many City staff shared in emergency response.

Mr. Franza then discussed why flooding occurs in San Francisco. He stated storms, such as on February 25, exceed the design capacity. He stated another issue was hydraulic grade line, which relates to the level of water in the sewers and gravity drainage from properties. He stated there were surface condition problems in which water did not channel in the streets properly, such as staying between the curbs. He stated plugged or broken sewers and catch basins could cause flooding. He stated hydraulically undersized sewers were inadequate and did not meet the current 5-year standard. He shared that improperly installed side sewers were also an issue.

Mr. Franza explained that a combined system worked as a combination of street surface, lay of the land, curbs, and channeling water into catch basins. He stated San Francisco had a combined sewer in which all of the drainage from the street, homes and buildings collected. He stated as the flow moved downstream, there were large transport storage structures built around the City to retain rain for later treatment. He stated on February 25 it was a combination of pipes filling to their limit and the inability of water to drain off the surface.

Commissioner Brooks asked about improperly installed side sewers: 1) How old were the sewers? and 2) Who installed them? Mr. Franza answered side sewers were the sewers that come from buildings and connect to the main sewers that are in the public right-of-way. He stated developers, contractors and homebuilders typically installed side sewers.

Commissioner Brooks inquired if homebuilders and private contractors were requested by SFPUC to correct improperly installed side sewers. Mr. Franza stated it was done. He noted that it was not always that it was improper, but that it was a matter of the angle. He noted many people needed backflow preventers to deal with the issue of hydraulic grade line when water in the sewers are raised to a

point where it flowed backwards unless there was backflow preventer. He ventured the more common problem with side sewers was lack of a backflow preventer.

Commissioner Brooks asked if side sewers were a large problem for SFPUC and the City. Mr. Franza estimated that half the time when people called with a sewer problem it was a side sewer issue.

Commissioner Brooks asked if SFPUC or DPW actively went out and told or instructed contractors to install side sewers properly, so the problem would not continue. Mr. Franza responded it was hoped that the Permits Department was handling it. He stated SFPUC coordinated work with them on large projects and developments. He thought that more problems existed with property owners adding onto a home and possibly changing side sewers without anyone's knowledge.

Commissioner Brooks commented that if side sewers constituted 50% of the problem, focus should be directed to private owners with improperly installed side sewers and the resulting added cost to the City and business owners. He suggested an active program be created to have property owners and contractors fix the problem. Mr. Franza stated the point was well taken. He offered the perspective that SFPUC had 900 miles of sewers in the public right-of-way and 2,000 miles of side sewers, noting the problem needed to be addressed.

President Normandy urged the discussion not get sidetracked into specific causes, noting side sewers were the responsibility of individual property owners with inspection done by CCSF.

Vice President Costello stated side sewers were determined by CCSF's plumbing code. He stated if a sewer was a 6- or 8-inch sewer, the side sewer could be 4- to 6-inches, noting in neighborhoods it was often a 4-inch side sewer going into a 6-inch main in the street.

Mr. Franza affirmed the information. He addressed current activities that were underway. He stated SFPUC had a debriefing with DPW that morning to talk about what could be done better to respond to emergencies like February 25. He stated there were many ideas related to communication, such as one telephone number to call. He stated the area of Lucerne Street had a grade line problem and that a pump station was being put there this year. He shared the Sunnydale area had a history of bad flooding problems and that funds had been allocated from the CIP to buy property to dig a tunnel and put in a new sewer. He stated there was an ongoing repair and replacement program (R&R) for sewers, pump equipment and treatment facilities.

Commissioner Werbach asked for a show of hands from the audience of how many people were flooded. He stated the presentation brought forth that one of the reasons for the flooding was that it was a 100-year storm. He questioned if those

experiencing flooding had chronic flooding, whether it was a 5-year or 100-year storm. Mr. Franza answered that he thought people experiencing chronic flooding did so because of the hydraulically undersized sewer system, of which there were many sewers that were too small and did not meet the 5-year storm standard. He stated there were $200 million worth of broken and undersized sewers throughout the City.

Commissioner Werbach asked what ranking from A-F Mr. Franza would give for SFPUC's response to the flood event. Mr. Franza stated "maybe a D or C." He stated the problem was that a lot of the water had drained away by the time staff got out into the streets. He stated the water was in properties, basements, etc. He stated his grade was for the coordination among City departments, noting every individual department did the best they could, but that coordination was lacking.

President Normandy stated finding solutions would come from admitting problems existed. He called for public comment, and asked each member to identify themselves for the record with the location of the event.

Public Comments:

Mr. Ramon Gonzalez, Attorney with Buresh/Kaplan in Berkeley, asked how characterizing the storm as a 100-year storm was going to affect the property damage claims. He asked if the City would be claiming forced majority as they could say they were not responsible because only a 5-year storm could be anticipated. Mr. Joshua Milstein, Deputy City Attorney, stated a lot of claims had been received and would be looked at individually. He stated it was possible it could be raised as a defense to certain claims. He stated the presentation revealed there were undersized sewers and that the claims would be looked at on a case-by-case basis.

Mr. Gonzalez asked what the City's time frame was for paying off the claims. Mr. Milstein explained there were Government Code procedures for acceptance or rejection of a claim. He stated the general policy was to pay claims as quickly as possible if there was clear liability on the part of the City.

Mr. Gonzalez stated there was a missing bullet under the "Why Flooding Occurs" slide, which was the fact that the City's sewer system takes both sewage water and storm water and asked for an explanation why this was so. Ms. Martel referred the question to Mr. Franza.

Ms. Martel addressed time frame. She stated there was a 6-month timeline to file a claim related to the storm and that if the claim exceeded the 6-month statute of limitations, it would be rejected. She encouraged those with property damage to take photos, to get a claim form from the CAO, and to submit it within the timeline. She noted the CAO had a timeline in which to respond to claimants.

President Normandy directed staff to respond to the publics' specific questions on an individual basis rather than taking up meeting time.

Ms. Mary Jung, Commission Secretary, requested all speakers fill out a speaker card for the record.

Mr. Andrew Bozeman, Director of Southeast Sector Community Development Corporation, 4909 - 3rd Street in Bayview Hunter's Point, stated flooding occurred in the buildings from 4909 through 4937. He stated he recently attended a Rate Fairness hearing on sewer rates and heard an SFPUC report that in the early to mid-90's, a decision was made to defer maintenance. He commented he thought deferred maintenance was a reason for the current problems. He stated the Bayview Hunter's Point community had been voicing complaints about odor, health issues, mosquitoes and raw sewage in the streets during average rainstorms from overflow for some time. He requested that the problems not be taken care of through lip service and the R&R program; rather that SFPUC consider changing policy to stop the deferred maintenance as it made problems accumulate and the price to fix them grow higher exponentially.

President Normandy stated the presentation on the CWMP would address his issue and that the deferred maintenance was more a matter of practice than policy due to the rate freezes.

Mr. Steven Currier, President of the Outer Mission Residents' Association, stated he hosted a meeting last night at the Crocker Amazon Recreation Center. He thanked Ms. Martel for attending and shared the meeting was informative and people learned a lot. He stated other City departments were present, including the City Attorney. He stressed that people in his organization depend on the leadership of the Association to know phone numbers for contact about events. He thought the 311 system was a good one because many people did not know who to call during the flood—was it the sewer department, the water department, SFPUC, DPW, or 911? He stated every department in CCSF, not just SFPUC, needed to address this for better communication between City Hall and the taxpayers. He stated the flooding was a serious issue in his neighborhood areas of Crocker Amazon, Excelsior, Cayuga and Mission Terrace and hoped it could be addressed in the coming months.

Mr. Francisco Da Costa, Environmental Justice Advocacy, 4909 - 3rd Street, stated the presentation lacked empirical data on the sewer lines. He shared he had been studying the sewer lines since 1991 and stated it was necessary to know how much of the sewer lines were built of wood and brick, and how much was undersized. He stated study needed to be done to resolve the issue of extra sewage received from neighboring counties, such as from Daly City and Colma, which had not been addressed. He stated that what were once pristine waters were now cesspools. He opined it was important to know the history of what the Water Department did and what the SFPUC does today. He stated a good

communication system was needed and asked how fast it would take for the relationship between the various departments and the constituents of San Francisco to happen.

President Normandy stated the CWMP would gather empirical data and that the Commission's focus was now on capital improvements to the entire sewer system, whereas the focus in previous years had been on the CIP for the water system.

Ms. Jane Martin, Resident and Architectural Design business, 337 Shotwell Street, stated 80% of what she owned was ruined and that she was in the process of documenting through photos and writing the value of her goods before throwing them away. She stated she went to the hospital as a result of the flood because of standing in 2 feet of sewage. She chose to refer to the event as a sewer backup, not a flood. She brought to the Commission's attention that she was also flooded on December 14. She showed photographs of her street after water subsided. She shared that her street had just been repaved and that new City water and sewer lines had been put in. She shared photos of materials taken out of a catch basin and the main sewer, noting a catch basin in front of her house was jammed immediately. She showed a photo of a broken manhole cover blocking water to the main sewer. She commented that she observed questionable construction procedures on her street by City workers and questioned who was responsible for inspecting such work. She stated she understood the issue of side sewers and that she had done construction during the last 5 years according to City code and inspected as such. Ms. Martin expressed appreciation to the City agencies that came to a Shotwell Street meeting on Saturday and that the Mayor would be coming this Saturday. On behalf of the Shotwell Street Neighborhood Association, she asked that the neighbors all receive equal treatment. She suggested the promotion of permeable landscape to help with the flooding problems in the City.

President Normandy requested that Mr. Franza stay in communication with the speaker and post the Commission on progress.

Mr. Martin Fay, Resident and Employee of South Beach Marina Apartments, 2 Townsend Street, stated he had lived at the apartments since 1988. He stated that though the statistics about 5- and 100-year storms were true and believable, the fact was there were flooding problems and loss of utilities at South Beach every year. He stated he was going to be looking at the side sewers issue based on the comments. He detailed the dramatic flooding at South Beach as inundation with an overflowing swimming pool and spa, flooded gym and gardens, and water blasting out of the sewers into the street. He voiced concern about the closed system of dumping water into the Bay. He urged consideration be given to pumping and temporarily storing effluent in huge rubber caissons in Islais Creek or off-shore in the vicinity of old piers, noting that the overflow and the ramifications on the shoreline were dramatic.

Mr. Abe Irizarry, Resident of Delancey Street Foundation and Manager of Delancey Street Restaurant, 600 Embarcadero, stated the storm caused the greatest damage to the restaurant in its 10 years of existence as well as to the neighborhood. He stated the restaurant was closed for several days for major repairs related to flooding and raw sewage on the property. He shared that odors from the sewers affected their business. He stated every time it rained, there were flooding and backup problems that resulted in repair and replacement needs. He stated the temporary solutions in the past decade were no longer helping and that the state of the problem required a permanent solution.

Mr. Bill McLeod, Co-owner of Chez Spencer, 82 - 14th Street, stated he was more interested in the past and the future than about February 25. He stated their restaurant business had experienced many floods and spoke about one during December 2003. He noted the pipes were in great condition in their 15-year old building and that it appeared to be a City problem. He shared that he and his business partner began calling in December when flooding resulted in closure of their restaurant. He stated he began calling every day, starting with DPW. He stated that DPW referred him to SFPUC and that SFPUC referred him back to DPW. He stated he called both departments again in March to see what would happen, and that both departments did the same thing in referring each to the other. He stated the fact that nobody knew whom to call and who was responsible for the problems was one of the biggest problems. He stated he called on February 2, when the restaurant flooded again and that "they" came out and cleared the side sewer, saying it was "fine" and that "We need to clean the main sewer." He stated the sewer on 14 Street was a huge one known to be a problem. He stated it had been backing up for years and had affected many neighbors. He shared the damage results of Chez Spencer when the entire restaurant was inundated with four feet of sewage. He stated in his many and constant calls that "they" stated they were going to hire a contractor to clear the main sewer. He shared that one long-term occupant on 14th Street said the "last time they came out was 33 years ago." He stated whether it was DPW or SFPUC, there was a problem getting work done. He asked what was going to happen and if the City would come up with a program to flush the sewers. He shared that their flood insurance would not cover the damage because technically it was not a flood, but was a sewage problem and the CAO stated they did not handle those matters.

Commissioner Werbach responded that it was unacceptable for the pubic to be referred back and forth between departments and spoke to departments being unaccountable. He asked Ms. Martel to respond. Ms. Martel stated she received two specific phone calls on February 25, one from a business and the other from a resident. She shared she took their information and then called Mr. Franza directly to respond to the issue. She stated there was misunderstanding on the part of the public about whom to call. She clarified it was not the public's responsibility to figure it out, but that SFPUC and DPW needed to have effective community outreach to inform the public who was responsible for what. She shared that until the mid-90's, DPW was responsible for the sewers and that the responsibility was

transferred to SFPUC thereafter. She stated it was obvious, based on the history, why people continued to call DPW for sewer issues. She thought that DPW was responsible about transferring calls to SFPUC for sewer maintenance and operation issues and that SFPUC transferred calls to DPW for the work they handle on sewer repairs. She stated problems arose when parties called other numbers than SFPUC or DPW, such as 911.

Commissioner Webach stated it was clear that Mr. MacLeod was not confused in calling both departments; rather it was DPW and SFPUC who were confused in referring him back and forth.

Mr. MacLeod clarified he was not calling on February 25, but 3 weeks prior to that date during a non- emergency time when his restaurant experienced flooding.

Ms. Martel stated she had a letter from Chez Spencer on the issue that had been sent to Congresswoman Nancy Pelosi and then sent to her, which she offered to transmit to the Commission. She stated it addressed a long-standing issue and communications prior to February 25. She shared that the letter stated contact had been made with DPW staff and Kevin Lyons and George Dugan in SFPUC Sewer Operations and that they had gone to the site. She stated she needed to investigate with the appropriate staff why the issue was not handled.

President Normandy stated the issue needed to be addressed as to the reason why calls were being referred back and forth between DPW and SFPUC. He stated Mr. MacLeod's point was well made and taken by the Commission. Commissioner Werbach stated the logs should be looked at, as all calls were tracked. President Normandy stated staff would pursue that.

Ms. Shirley Kollmann, Resident, 105 Russia Street, stated she had three major sewage floods before the February 25 flood. She stated she called the Sewer Department and was repeatedly told, "I don't know what the problem is, lady." She stated she continued to call because of continued sewage floods. She stated that her pipes had been backwashed, videoed and mapped, and the slope investigated. She stated she had a back-flow preventer installed on the front of her house because she knew the dirty water was City water. She stated the back-flow preventer was inspected by a City plumbing inspector and during the rainstorm, the inspector told the plumbers the back-flow preventer could not be there because it was against City code. She stated it was removed during the rainstorm, which resulted in a major sewage flood immediately. She stated Greg Hill, City plumbing inspector, returned, met with the plumbers and said, "Yes, I think that this is coming from the City. Let's put it right back on where we took it off the day before." She stated the plumbers were responsible for the third flood that damaged her property. She stated she did not experience a sewage flood on February 25, rather a rainwater flood with a river of water flowing down her street, which she videotaped. She shared the City Attorney told her, "Sue the City." She shared that Ms. Martel told her, "The sewer lines on your street are inadequate; they are the

wrong size, but we are not going to fix them because we don't have the money." She stated leaving the back-flow preventer on her house meant she was in danger of flooding her house with her own water during storms. She stated she had exhausted her options until the City fixed the problem. She stated she wanted to be paid for her damages, but did not want to sue the City for the entire property value of her house. She shared she had scrubbed her house with Clorox for days per Department of Public Health (DPH) instructions, but that it did not help because the mold was in the walls and insulation. She stated her asthma worsened with the mold. She urged emergency funding be found to address the immediate health catastrophe and current problems for those in need and that a long-term solution be worked on for the future.

Ms. Victoria Sanchez, Resident, 27 Cayuga Street, stated she had written a letter about her situation and urged the Commission to read it. She stated she was depressed about all that had happened. She stated she made calls urging that something be done, noting that some things had been done on Alemany but never on Cayuga Street and that it was not the first time there had been problems. She showed photographs of her damages and losses, stating she had lost everything. She asked that something be done for she and her neighbors on Cayuga Street to prevent what happened in the past from happening in the future.

Ms. Rebecca Silberberg, President of Excelsior Improvement Association, stated her sewers, installed in the 1930's in the Excelsior, were assessed by inspectors as no longer being adequate. She stated they had been adequate for the 50-year plan, but the 50 years were past. She stated the flooding was related to how everything had been paved over in the City, including front and back yards. She stated the City was no longer able to handle the amount of run-off water. She stated the money allocated for sewer improvement, upgrades and maintenance was not adequate either and that something needed to be done. She stated the lawsuits would cost the City a lot of money. She stated the time was ripe to go to the BOS and the Mayor with the Commission leading the citizens in demanding the amount of money needed to upgrade the sewer system and aging infrastructure.

Mr. Tony Abrahim, IMG Homes, 1830 Harrison Street, stated his business had suffered from flooding conditions and from having to close the business.

President Normandy asked for the Commissioners' comments.

Commissioner Werbach stated he wanted responses to the specific issues raised. He wanted to know what happened, if it had happened before, what the plan was and what the SFPUC's responsibility was.

President Normandy requested staff provide the Commission with responses made to the specific speakers regarding their specific issues. He stated SFPUC took over the sewer system from DPW 5-6 years ago, and that prior to that time, the Commission spent 99% of its time on the Muni system and that water and power

issues were the last interest. He stated the retrofit of SFPUC's water system was underway and the retrofit of the sewer system was in development and needed to address: 1) systemic system changes, 2) City-wide emergency communications, 3) SFPUC emergency responses, 4) reevaluation of SFPUC statistics and generation of new statistics, 5) isolated problems within the CWMP, and 6) areas prone to flooding, and 7) paved-over earth. *He requested that the points and issues raised during public testimony be factored into the CWMP. He directed staff and the Commission Secretary, that the meeting minutes be highlighted and that the issues raised be recognized when finalizing the CWMP.* On a final note, he emphasized the financial impact of the sewer-rate freeze on the system.

Commissioner Brooks commented it was frustrating to be bounced from one department to another and stated he wanted Ms. Martel to look at a customer service plan that would hold employees accountable and would increase SFPUC's customer service. President Normandy supported the suggestion and urged proceeding on it, noting SFPUC's emergency response needed to be looked at as well as the City-wide emergency response.

Ms. Julie Labonte, Infrastructure Development Program Manager, stated she was touched by the testimony and would do everything she could to address issues through the CWMP. She stated the objectives of her presentation were to provide: 1) a brief overview of the CWMP, 2) key elements in the CWMP that would lead to collection system improvements, and 3) an update on the ongoing activities in the CWMP.

Ms. Labonte stated the key objectives of the CWMP efforts were to: 1) Develop a long-term vision and strategy for San Francisco's wastewater and storm water management, 2) Address specific system deficiencies, community impacts, public interests and future needs, 3) Incorporate the use of sustainable and ecologically engineered solutions, 4) Identify future needs, and 5) Maximize system reliability and flexibility.

Ms. Labonte stated the programmatic approach of the CWMP had been organized into 3 interdependent programs: 1) Planning and Engineering, 2) Public Participation, and 3) Environmental Review Process. She stated a critical aspect of the approach was that SFPUC staff would assume a leadership role and consultants would provide required expertise. She stated the work conducted under the CWMP would result in a CW capital improvement program to be implemented in the next 30 years.

Ms. Labonte stated the master planning included many elements, but today's presentation would focus on six areas of collection system improvements. She stated, 1) Collection System Improvements would: a) conduct a cost benefit analysis of increasing the existing 5-year storm design criteria, b) assess the effectiveness of the existing sewer replacement program, and c) conduct a comprehensive analysis to identify the specific areas that are hydraulically deficient

and evaluate alternatives to address the deficiencies. She continued that, 2) Strategies and specific infrastructure alternatives would be evaluated to reduce Combined Sewer Overflows (CSO) in both the Bay and the ocean, 3) Alternatives to minimize the discharges to the Bay would be identified, 4) Integration of combined and separate would be evaluated, 5) Integration of centralized and decentralized treatment would be evaluated, and 6) Integration of unconventional/innovative technologies and sustainable approaches would be considered in the solutions to implement the program.

Ms. Labonte stated the above tasks would provide some relief for the existing flooding problems and minimize CSO's. She stated, however, flooding during large storms would continue unless: 1) the 5-year storm design criteria was changed and there were larger pipes, or 2) a different system reconfiguration was addressed for the combined system to separate the sewage and the storm water. She stated the CWMP would conduct a comprehensive cost and benefits analysis of both alternatives.

Ms. Labonte stated to address immediate improvements, impacts and existing hydraulically inefficient sewers, required looking at the sewer replacement program. She recommended focus be placed on the program as the CWMP was a long planning effort for long-term solutions on the infrastructure and that the pressing issues presented today would be better dealt with in the R&R program.

Ms. Labonte stated SFPUC was committed to the Public Participation Program whose goal is to create a public process in which stakeholders are involved in a decision making process leading to the development of the 30-year CW CIP. She stated the objectives were: 1) facilitate and promote pubic involvement, 2) address environmental justice issues, and 3) build consensus among stakeholders. She stated to ensure City-wide involvement, the program would be coordinated through the Public Utilities Citizens Advisory Committee (CAC) and a wastewater subcommittee.

Ms. Labonte updated the Commission on some ongoing activities: 1) Two CWMP RFPs were issued in December 2003. 2) Proposals were received for the Public Participation Services RFP and interviews were scheduled for late March. 3) Proposals were received for the Planning and Engineering Services RFP and interviews were scheduled for mid-April. 4) The Technical Advisory Committee (TAC) had a March 3 meeting with community stakeholders and environmental groups to discuss the role of TAC. 5) The ordinance to establish the CAC was introduced by Supervisor Tom Ammiano on February 10 and was to be heard by the Rules Committee on March 10.

Ms. Labonte stated CWMP efforts would take approximately 3 years to complete. Through a programmatic schedule, she shared that the Planning & Engineering and Public Participation Programs would begin simultaneously in June 2004, with the majority of the work to be conducted in the first 18 months. She stated the last

18 months would focus more on the Environmental Review Program as project alternatives needed to be developed first. She stated the final documents of a facilities plan, a financial plan, a programmatic EIR and a public participation report would be completed by June 2007. She stated the timeline was aggressive, but reasonable.

Ms. Labonte concluded her presentation with the major action items needing completion to start the CWMP in June 2004: 1) Selection and negotiation of four professional services agreements; one for Public Participation and three for Planning & Engineering. 2) Finalize the addition of two new members to TAC and negotiate eight separate sole-source professional services agreements with TAC. 3) Approve the CAC ordinance, appoint CAC members and form the CAC Wastewater Subcommittee. Ms. Labonte availed herself for questions.

Commissioner Werbach raised the subject of sustainability and urged that "sustainable" not be a bullet point done at the end of a project, rather that it be thought of as part of the whole framework of a project for the people working on it and the way the project was implemented. Ms. Labonte stated sustainability would require the involvement of other City departments and would take integration of SFPUC working with DPW and Recreation and Park Department to come up with sustainable solutions.

Commissioner Caen requested a report on all the properties and areas that were damaged. She requested that the solutions for fixing the problems be provided in the report; i.e., sewer replacement, side sewer. Ms. Martel asked if the report was for the specific locations during public comment or for all locations based on claims, service calls, etc. Commissioner Caen clarified for all locations, starting with the public present at the meeting. Ms. Martel asked if the report was for what was done for all service calls or for structural problems and what SFPUC would do to address them. Commissioner Caen stated the latter and what SFPUC would do. President Normandy suggested a chart with categories of "Location, Problem, Fix." Ms. Labonte proposed "Suggested Fix." President Normandy stated a condensed report would be best. Ms. Labonte understood it was quick fixes, not long-term solutions.

President Normandy requested that presentations made to the Commission be dated. He stated it would be valuable when progress reports were given that reference be made to the last presentation to see the progress or changes made. He asked that it become standard procedure for staff from this point onwards. Ms. Labonte asked if the presentation was to be dated on each page. President Normandy stated the date was to be on the front page. He stated for continuity he wanted presenters to refer back to their presentations when giving updates, i.e., in giving a May update on a March 9 presentation it would begin, "On March 9 ... and today...."

President Normandy called for public comment.

Public Comment:

Ms. Jennifer Clary, Chair of the Alliance for a Clean Waterfront (ACW), stated the soon-to-become 21-member organization was interested in the CWMP. She thanked Ms. Martel for assisting in the development of the CAC legislation. She stated ACW thought Ms. Labonte was a great choice to lead the planning process of the CWMP. She stated ACW was looking forward to a good public process with the involvement of many parties.

Commissioner Brooks requested that SFPUC work with DPH on disseminating information to the community on the effects of mold on health, such as on asthma. He opined that the public needed to be educated and it was important that the information be correct.

Ms. Martel stated she assisted Dr. Mitch Katz, Director of DPH, in preparing a consumer alert the week prior and that it had been issued. She stated DPH outlined health-related issues regarding sewer overflows and mold in homes and businesses. She stated David Breslin, DPH representative, spoke at the March 8 Crocker Amazon community meeting on the issue. She stated SFPUC would continue to coordinate with DPH in providing information for outreach activities.

Commissioner Brooks stated his concern was that the people who were affected receive the information, commenting it was one thing to create information and another thing to get it to the people who experienced flooding and sewer overflows. Ms. Martel shared that the DPH representative stated DPH inspectors had gone to affected homes and advised people on products to use, on how to clean and how to protect themselves.

An Unidentified Female Voice in the Audience stated many people had not received the information, suggesting it be done immediately and in three languages.

Ms. Martel provided a summary of the debriefing with DPW of that morning. She stated the overriding issue related to the February 25 storm was a lack of coordination between DPW, SFPUC, DPH, SFPD, SFFD, and OES. She stated it was clear private and business property owners suffered financial burdens. She stated emergency funding had been requested, but that SFPUC had none available. She stated Supervisor Gerardo Sandoval understood the issue and was going to work with the BOS to seek emergency funding to address short-term needs. She stated if an emergency declaration had been made on February 25, the State and Federal Departments of Emergency Services would have been involved and emergency funding provided, but this was not done. She stated she and the DPW Director recognized it was incumbent during such events to coordinate more closely with OES and have all the necessary backup of SFPD and SFFD. She stated such coordination could involve the Mayor in which a mayor could declare a local emergency, which could translate to State and Federal level

involvement. She stated the responsibility of OES was to coordinate all the various City departments that respond in emergency situations. She stated this should have happened on February 25 but did not. She stated work needed to be done with OES to define a protocol for all the departments that would be responding to emergency incidents and for OES to take the lead.

Commissioner Brooks stated the request for information was a simple one and though the General Manager stated there was information, some of the public present stated they did not get it. He stated the proper response for the immediate situation was to get names, numbers and provide them the information.

Ms. Martel agreed. She stated she was responding to the issue of coordination with DPH. She stated her comments were directed at the need for departments to address issues when incidents occurred. She clarified that she met with the DPH Director to prepare information at the Mayor's Town Hall meeting on February 28 and that it should have been done on February 25. She stated staff would provide information to members of the public immediately.

President Normandy commented that DPH needed to take the lead on health information and should make it available to SFPUC before SFPUC could provide it to the public. Ms. Martel stated SFPUC relied on DPH to provide detailed information. She stated SFPUC Communications staff could distribute the information, but that it came from DPH. President Normandy asked if someone in Communications could secure the information from DPH immediately and get it to the public that testified to the Commission.

Public Comment:

Ms. Kollmann stated she was at the meeting in which Mr. Breslin presented. She stated all she heard mentioned was the use of Clorox for cleaning and that from her own experience, it was insufficient because mold was in walls, woodwork and ventilation systems. She stated a mold abatement company came to her home after the third flood and used moisture detectors on her walls, resulting in ripping out sheet rock and insulation for mold damage. She commented on the rise of asthma in urban areas being connected to mold. She stated it was a big problem and the expense of dealing with it might not be affordable for everyone affected.

President Normandy stated the issue was information from DPH and that the responsibility SFPUC was taking on was for getting the information to those who addressed the Commission. He stated SFPUC could not speak for DPH.

Mr. McLeod suggested that for the next incident, it would be great to get the information immediately out to the media—radio, TV, public service announcements and newspapers—to let people know. He noted two weeks after the storm there were still people with mold and storm-related problems who were in need of information. He inquired about a loan program for those in need, noting

his restaurant was closed for one week due to expensive repairs. He inquired who was responsible for declaring emergencies and if it could be done retroactively for a loan program with the City, State or Federal governments. He stated it would be great if it could be done for all those in need as the claims process with the CAO, or suits against the City, would take time and would be money lost.

Ms. Martel stated she could not respond definitively, but stated if there was a declaration of emergency by the State, State funding could be received from the Office of Emergency Services. And, likewise, if there was a Federal declaration, Federal Emergency Management Agency would provide. She stated she was aware Supervisor Sandoval was looking into the matter and that his staff was trying to determine if a retroactive declaration could be made.

Mr. McLeod inquired who was setting up a loan program. Ms. Martel stated Supervisor Sandoval was working on funding, loan programs, Red Cross assistance and assistance for low-income people unable to hire private contractors for property damage.

Mr. McLeod inquired what was available for everyone else. Ms. Martel stated Supervisor Sandoval would probably make a public announcement, but that SFPUC had his name and address and would be in contact with him if anything arose.

President Normandy concluded that SFPUC had taken on certain responsibilities related to the flooding but had limitations within the City. He clarified that DPH created health-related documents and that SFPUC could help disseminate them. He stated SFPUC could support centralizing a communication system. He stated SFPUC could support the BOS in getting proper responses and declarations of emergencies. He stated as much as the Commission sympathized with the speakers, the SFPUC could not do everything. He requested all public speakers fill out speaker cards with full names, addresses and phone numbers for future communication.

President Normandy recessed the meeting at 3:40 P.M.

President Normandy reconvened the meeting at 3:52 P.M.

b) California Water Environment Association–SF Bay Section Annual Awards

Mr. William Keaney, Water Pollution Control Manager, stated the Local Bay Section of the California Water Environment Association recently had its annual awards ceremony and awarded SFPUC three separate awards: the Large Treatment Plant of the Year Award for Oceanside, the Small Budget Public Education Award and the Research Achievement Award

He shared that the treatment plant award involved the inspection of the Oceanside facility by peers from other plants in the area. He stated the education award involved a partnership between SFPUC and East Bay Municipal Utilities District related to biosolids disposal in Solano County and secondarily involved staff members from SFPUC Communications and Government Affairs working with the Solano County BOS to address the concerns of their citizens. He stated the research award was for work done by SFPUC engineers on the organism mycardia.

Mr. Keany acknowledged SFPUC staff for the awards: Kerwin Chan, Dale Posey; Dominic Jolis, Bonnie Jones, Dale Posey, Sam Murray, and Suzanne Arena. He stated that the local awards would go to the State Conference in April to compete on a statewide level.

c) Partnership for Safe Water Awards

Mr. Andrew DeGraca, WQB Manager, stated the Environmental Protection Agency and the American Waterworks Association sponsored the partnership program whose goal is to produce the highest quality water possible. He stated SFPUC started in the program in 1996. He stated there were 248 utilities and 424 treatment plants involved in the self-assessment. He stated SFPUC received the Directors Award for the Harry Tracy Water Treatment Plant for Phase 3 of the partnership. He noted that the Sunol Valley Plant was previously awarded the same award and shared that of 48 utilities with two or more treatment plants, that only 11 had received the Directors Award for all treatment plants. He stated the award was the result of a collaboration and team effort between WQB and Water Supply & Treatment. He acknowledged staff present at the meeting: Gary Williams, Dee Cotino and Jack Cho. Mr. DeGraca stated SFPUC's goal in the upcoming years was to achieve the Phase 4 award and be certified at the highest possible level in the country.

President Normandy noted the turnaround status for SFPUC with the award and credited Mr. DeGraca and his staff.

8. Public Comments on matters not on today's agenda.

There were none.

CONSENT CALENDAR

9. Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the item (a) listed under the Consent Calendar; passed (5-0) unanimously.

a) Resolution No. 04-0034: Accept work performed for Contract No. WD-2393, Seismic Upgrade of Bay Division Pipeline Nos. 1 and 2 at the Hayward Fault Crossing – Phase B,

approve Modification No. 8 (Final) decreasing the contract by $2,000.00, for a total contract amount of $2,639,723.09, and authorize final payment of $139,742.61 to JMB Construction, Inc.

REGULAR CALENDAR

10. Discussion and possible action related to Debt Management Policies and Procedures. (Continued from the meeting of February 24, 2004.)

Moved by Commissioner Werbach, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0035: Adopt the Debt Management Policies and Procedures of the SFPUC and approve their inclusion in a Citywide debt management policies and procedures document.

11. Discussion and possible action related to a Design-Build Agreement for a solar power plant at Southeast Water Pollution Control Plant.

Mr. Edward Smeloff, Assistant General Manager of Power Policy, Planning & Resource Development, stated Sierra Electric, a San Francisco women-owned business, was selected for the turnkey solar electric project at the Southeast Water Pollution Control Plant (SWPCP). He stated a program funded by the Department of the Environment (DOE) created a solar installation training program for Bayview Hunter's Point residents. He stated that the project would involve the partnership and local labor of a new community-based organization, Bayview Energy, comprised of local solar installers trained in the DOE program.

Mr. Smeloff stated the contract was structured to provide protection from risk for the City. He stated there was a 5-year total system warranty; a 25-year warranty on the solar panels, and a guaranteed output of the system for 5 years. He stated the solar project would be coupled with an energy-efficiency project which was developed in cooperation and led by the CWP operations and engineering staff. He stated the project cost was $1.8 million. He stated $1.6 million had been set aside through Mayor's Energy Conservation Account (MECA) for the project and the additional funds would be provided from CWP funding. He stated the construction estimate was one year.

Commissioner Caen asked why the project would not qualify for a rebate from the California Public Utilities Commission. Mr. Smeloff stated the project qualified for a rebate, but the question was if there would be sufficient funds available. He stated in speaking with PG&E, who administers the Self-Generation Program, he felt confident and anticipated the funding would be given but that no guarantee had been received.

Commissioner Caen asked if the funding was not received would it not be needed. Mr. Smeloff stated the program worked by providing funding to the SFPUC upon project completion. He stated an application would be submitted at that time. He stated funds were needed from MECA to award the contract and do the construction of the project.

Commissioner Brooks asked for the amount of the rebate. Mr. Smeloff stated the rebate was 50% of the total project cost. He stated if it cost $1.7 million, the rebate would be $850,000; or if it cost $1.8 million because of change orders, the rebate would be $900,000.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0036: Authorize the General Manager of Public Utilities to sign a Design-Build Agreement between the SFPUC and Sierra Electric, in an amount not to exceed $1.8 million, for the turnkey design and construction of a solar power plant at SFPUC's Southeast Water Pollution Control Plant. This is the second installation in the City's Municipal Solar Energy Program. Funds for this installation are budgeted in a capital project under the Mayor's Energy Conservation Account.

12. Discussion and possible action related to the Legislative Program for 2004.

Ms. Suzanne Arena, Government Affairs (GA) Manager, introduced Mr. Darryl Owen, SFPUC Washington, D.C. Lobbyist and Mr. Don Gilbert and Mr. Allen Edelstein, SFPUC Sacramento Lobbyists.

Mr. Owen reported the joint permitting legislation was passed in Congress last year and signed into law. He stated the legislation was conceived with Congresswoman Pelosi's Office for a joint permitting authority under the US Corps of Engineers (USCOE), bringing all Federal agencies together to process the permits for the CIP. He stated the legislation was being received favorably and being considered as a model for others to use for large projects. He stated there was growing evidence it would get incorporated into the CALFED legislation.

He stated funding for a Bay Area desalination study was being pursued through the USCOE. He stated it was passed in the House last year and was included in a Senate bill. He stated SFPUC was working on the initiative with other Bay Area water agencies.

Mr. Owen stated the big news was the U.S. President's budget proposal to raise the Hetch Hetchy fees under the Raker Act from $30,000 a year to $8 million. He asked for permission to apprise the new Commissioners on related history.

He stated in the early 1980's, Mr. Donald Hodel, then Secretary of the Interior, proposed to tear down the Hetch Hetchy Dam system, more a conservative tactic against San Francisco than a serious initiative. He stated in the late 1980's, then Congressmen Tony Cuelo and Vic Fazio, proposed inserting a provision into appropriations legislation preventing SFPUC from charging any more than cost for its power sales to Turlock and Modesto Irrigation Districts, which was defeated and taken out. He stated in the early 1990's, when the Commission was negotiating the fish and wildlife agreement with Turlock and Modesto, there was concern that SFPUC would be victimized. Mr. Owen stated he was hired at that time to be a lobbyist for the SFPUC and that the agreement reached was successful for all sides. He stated in 1995, when Congressman Newt Gingrich and the Republicans took control of Congress, an effort was launched to raise SFPUC fees under the Raker Act from $30,000 a year to $25 million. He stated the figure was "pulled out of thin air." He stated SFPUC managed to defeat the initiative, but that he was coming to the same conclusion that the latest effort to raise fees came from the same conservative sentiment to dig at liberal San Francisco.

Mr. Owen explained the budget process to understand the threat. He stated initially the President submitted a budget request, which was rarely voted into law. He stated the budget request had assumptions about economic growth and activity and was a form for playing budgetary tricks. He stated within the President's budget tables there was an $8 million line item for an increase in the assessment of rent for the Hetch Hetchy system. He stated that he had spoken with the Office Management and Budget (OMB) analyst who put in the $8 million and admitted there was no basis in reason for the figure. Mr. Owen stated it was an assumption. He stated the House and Senate would craft their own budgets and that the Senate had already done so and that SFPUC was not a component. He stated the budget process had a special aspect called budget reconciliation and at this point SFPUC was not part of reconciliation.

Commissioner Brooks asked if the House side version had been seen. Mr. Owen stated he had not seen it.

Mr. Owen continued that the initiative took the Department of Interior (DOI) and National Park Service (NPS) by surprise. He stated when Congressman Gingrich and Congress tried to raise the fee to $25 million, it was an assumption made as part of the 1995 budget reconciliation. He stated, at that time, it went to the House Committee and he and SFPUC persuaded them it was not a good idea. He stated this year when they had a required number figure to meet and were $8 million short, they picked up the Hetch Hetchy fee increase, whited-out 25 and wrote in 8. He stated that was where the $8 million came from this year and was a figure, like the last time, "pulled out of thin air."

Mr. Owen noted the fee increase was out of balance on a comparative basis. He cited the highest fee in California was $80 per acre and that the proposed $8 million fee broke down to $1,100 an acre. Mr. Owen stated no matter who was

President next year, there would be a massive confrontation with budget deficits. He expected there would be reconciliation and all committees would be part of the process of looking for money. He suspected that Congress would consider the fee structure for both municipalities and private parties under the Federal Power Act. He stated at that point, an assessment needed to be made and to expect a fee increase, but one grounded in reason and one that would apply to everyone.

Commissioner Werbach asked if he had communicated with Congressman Richard Pombo about what was in the House bill. Mr. Owen stated he had been working with Congressman Pombo's committee staff and with one in particular on the CALFED process and SFPUC's joint permitting initiative. He stated this would maybe help Congressman Pombo's staff and the Park Subcommittee understand how out of balance the fee increase was resulting in fee increases for many districts. He remarked that he did not think OMB realized that the fee increase they proposed for CCSF would affect Turlock and Modesto in Congressman Radanovich's district, Congressman Pombo's district and the entire Peninsula.

President Normandy requested the Commission and SFPUC continue to be posted on the issue. Mr. Owen stated he understood the Commission wanted to be kept abreast of this year's developments. He stated he was working the issue as though it was imminent, though he thought it would come up next year.

Mr. Don Gilbert, Edelstein and Gilbert Lobbyist, introduced himself and his colleague Allan Edelstein to the Commission, stating they were pleased to be representing SFPUC in Sacramento. He stated they had represented CCSF for several years and in so doing had done some work for the SFPUC. He updated the Commission that they had been working closely with the new governor's staff and other legislators on coming to some agreement that would be acceptable to the SFPUC on the Capital Facilities Fee legislation. He stated they were working on AB 594, amended by Assemblyman Mark Leno, related to net metering for solar projects on municipal facilities to bring down the costs of the projects by allowing that sale of excess energy back into the grid. He stated they were working on Assemblyman Alan Lowenthal's AB 2528, sponsored by Metropolitan Water Department, to update and expand reporting requirements for contaminants currently not regulated and to put the public on notice about them.

Commissioner Werbach commented that the Governor's announcement for making a hydrogen highway entailed an investment component and that he wanted San Francisco lined up for some of the investments. He commented there would probably be building-efficiency investments as well and that the issue be addressed in relation to San Francisco. Mr. Gilbert stated they would work with staff to stay on top of it.

President Normandy commented that the impact of hydrogen technology on SFPUC's water supply needed to be looked at and asked that the Commission be

apprised. Mr. Gilbert stated they would work to address SFPUC's needs in the matter.

Ms. Arena stated GA updated the Government Affairs Plan (GAP) annually and was presenting the 2004 GAP to the Commission. She stated at the Federal level the fee increase was the highest priority and that GA staff would support Mr. Owen by providing him information and working with local stakeholders to garner support. She stated GA would be monitoring the implementation of the permitting office and CALFED. She stated GA would support the Feinstein and Calvert bills this year if appropriate.

Ms. Arena stated at the State level there was consideration with the new administration for reintroducing the Capital Facility Fee bill. She stated there had been a positive response in working with the Governor's Office and looked forward to having the legislation enacted this year. She stated they would be sponsoring the solar-net metering bill to install photovoltaic and sell excess power to the PG&E grid. She noted the water-quality terminology legislation required SFPUC to 1) change the term "action level" to "notification level" for emerging contaminants, and 2) notify governing boards and wholesale customers when an emergent contaminant was detected in source water.

Mr. James MacLachlan, Local Government Affairs Manager, briefed the Commission on the most important issues for GA. He stated first and foremost was the CIP, which currently had several supplemental appropriations coming before the BOS regarding the renewal of the fourth year of the WIP contract. He stated with the approach of the capital budget coming before the BOS, SFPUC needed to make sure the BOS was fully apprised.

Mr. MacLachlan stated that related to the sewer rate adjustments, Proposition E created a Rate Fairness Board (RFB). He stated the RFB had met several times as a body and were currently holding community meetings for input on a rate increase. He stated he had been attending the meetings to apprise the BOS. He stated the RFB would be making recommendations to the Commission and BOS. Ms. Martel stated the RFB was on a timeline to have a series of recommendations in April.

Mr. MacLachlan stated energy policy was also a high-profile issue for the BOS. He stated the Electricity Reliability Plan was considered the week prior by the City Services Committee. He stated Supervisor Sophie Maxwell was interested in the peaker project because of the potential impact for her district and its relationship to the shutdown of the Hunters' Point Power Plant. He stated Supervisor Ammiano had introduced generation solar and community aggregation legislation. He stated SFPUC was continuing to work with other City bodies on the implementation of Propositions B and H.

He stated with the new Mayoral administration, there were policy goals, which could impact the SFPUC operations, specifically the SFStat and 311 technologies, and objectives for revitalization of the Southeast.

He stated related to the CWMP, the Citizens Advisory Committee would come before the Rules Committee the next day.

Related to Ocean Beach, Mr. MacLachlan stated the San FranciscoDOE had obtained grant funding for a full-time position for Ocean Beach environmental issues. He stated SFPUC would work closely with DOE to make sure SFPUC's needs and interests were represented.

Mr. MacLachlan concluded his presentation stating the Internal Legislative Advisory Committee was looking at the coming year's potential legislative agenda and was considering amending the City's Administrative Code regarding emergency contracting due to concerns of Operations staff.

Commissioner Werbach asked if the Wild and Scenic River federal legislation was being monitored. Ms. Arena responded affirmatively and that it had been introduced on the House and Senate sides. She stated it was in its early stages and had not been set for hearing. She stated an analysis was being done on the bill's impact on SFPUC, which would determine if and how SFPUC would proceed.

Public Comment:

Ms. Jennifer Clary, Clean Water Action Program Associate, stated she was interested in the GAP. Ms. Clary inquired about the process for making decisions about legislation and if it came back to the Commission or stayed in GA. She stated Jenna Olsen of the Tuolumne River Trust shared that the write-up about the Wild and Scenic River legislation was not accurate and suggested more information be obtained. She stated she was concerned and had been tracking the listed Napa Agreement. She stated the complex issue was done outside the CALFED process and had a lot of problems at this time for which legislation had been introduced. She appreciated GA staff's support of AB 2528 water quality notification. She urged SFPUC increase its communication with Southern California water districts.

President Normandy stated in regard to "process" that legislative affairs came back to the Commission before any position on legislation was taken. Ms. Arena affirmed this.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0037: Consideration and approval of the Legislative Program for 2004, as described in the Government Affairs Plan and resolution.

CONSTRUCTION CONTRACTS

Award

13. Discussion and possible action related to Contract No. CW-280.

Mr. Jon Loiacano, WPC Engineer, stated the item would award a contract to Schram for $4.8 million to construct odor control improvements at the Southeast Plant.

President Normandy asked, for the record, if monitoring and billing processes were in place. Mr. Loaicano answered affirmatively and that there was a construction management team to monitor construction

Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0038: Award Contract No. CW-280, SEWPCP Building 840/860 Ventilation and Odor Control Improvements, in the amount of $4,800,000, to Schram Construction, Inc.

Close

14. Discussion and possible action related to Contract No. WD-2328.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0039: Accept work performed for Contract No. WD-2328, Main and Spear Streets 8-Inch Ductile Iron Main Installation, approve Modification No. 1 (final), decreasing the contract by $134,276, for a final contract amount of $675,824 and with a time extension of 78 calendar days for a total contract duration of 338 consecutive calendar days, and authorize final payment of $50,506 to Shaw Pipeline, Inc.

PROFESSIONAL SERVICE CONTRACTS

Award

15. Discussion and possible action related to Agreement No. CS-742. (Continued from the meeting of February 24, 2004.)

Ms. Susan Yee, Engineering Design Bureau Acting Manager, stated the item was a request to award four specialized geotechnical as-needed services agreements to the four highest ranking firms that responded to the request for proposals.

President Normandy stated he continued the item because of issues related to the panel's scoring disparity raised by a firm not considered in the award. He stated the dispute had been settled to the firm's satisfaction and his own and that he now supported the award. He stated it was important that the scoring process of awarding contracts be fair and objective and that local and minority businesses be properly represented. He suggested that SFPUC and HRC consider balancing the process by combining individual panelist scores with an overall rating of each firm. He stated it was subject to counsel from the CAO and HRC.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0040: Approve the selection of Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; award professional services agreements to provide specialized geo-technical as-needed services for Agreement No. CS-742, Specialized Geo-Technical Services, to Treadwell & Rollo, Arup, MACTEC, and Geotechnical Consultants; and authorize the General Manager of Public Utilities to execute professional services agreements with each of these firms for $625,000 (and a total budgeted amount not to exceed $2,500,000), and a duration not to exceed 36 months from the Notice to Proceed for each agreement.

16. Discussion and possible action related to Agreement No. CS-704.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0041: Approve the selection of MWH-LEE Joint Venture, award a professional services agreement to provide professional engineering work in the field of water treatment and operations for Agreement No. CS-704, Harry Tracy Water Treatment Plant Filter Design &

Study, and authorize the General Manager of Public Utilities to execute a professional services agreement with MWH-LEE Joint Venture for an amount not to exceed $375,000, and with a duration of 3 years.

Commission Secretary Mary Jung was excused at 4:50 P.M.

Amend

17. Discussion and possible action related to Agreement No. CS-658. (Arena)

    Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

    Resolution No. 04-0042: Approve Amendment No. 4 to Agreement No. CS-658, Legislation Representation and Advocacy Services, with the Palmetto Group, and authorize the General Manager of Public Utilities to execute this amendment increasing the agreement by $70,013, for a total agreement amount not to exceed $734,596 and a time extension of 2 months, for a total agreement duration of 31 months.

CLOSED SESSION

18. Public comments on matters to be discussed in Closed Session.

    There were none.

19. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

    Moved by Commissioner Brooks, seconded by Commissioner Werbach, to assert the attorney-client privilege; passed (5-0) unanimously.

The Public Utilities Commission met in Closed Session at 4:58 P.M. to discuss the following matters:

20. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Continued from the meeting of February 24, 2004.) (Milstein)

    Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, Deputy City Attorney Joshua Milstein, and Commission Assistant Janet Elliott.

Existing Litigation: City and County of San Francisco v. Turlock Irrigation District; San Francisco Superior Court No. 323717.

No action was taken.

21. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, Deputy City Attorney Joshua Milstein, and Commission Assistant Janet Elliott.

Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Existing Litigation: Unlitigated Claim, Jane Shamamy; Claim No. 04-02178.

Resolution No. 04-0043

Following the Closed Session, the Commission reconvened in open session at 4:59 P.M.

22. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

23. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Costello, seconded by Commissioner Brooks, not to disclose the discussions during Closed Session; passed (5-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 5:01 P.M.

Mary Y. Jung
Secretary

SFPUC

WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

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CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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AGENDA

REGULAR MEETING

March 23, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TDD at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance
(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Approval of Minutes

4. Communications

5. Old/Ongoing Business by Commissioners

6. Introduction of New Business by Commissioners

7. Report of the General Manager

   a) Lake Merced Update (Bartow)

   b) CIP Update (Kelly)

   c) Water Banking Resources Report (Carlin)

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

   a) Bay Area Water Supply & Conservation Agency Report (Jensen)

9. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

a) Staff Recommendation: Approve the rejection of all bids for Contract No. WD-2398, Merced Manor Reservoir Upgrade, and authorize the General Manager of Public Utilities to re-advertise the contract as Contract No. WD-2398R, Merced Manor Reservoir Upgrade; to receive and evaluate bids. The engineer's estimate is $5,754,760.

b) Staff Recommendation: Accept work performed for Contract No. CW-332, 8th Avenue / Steiner Street Sewer Replacement, approve Modification No. 1 (Final) decreasing the contract by $66,832, for a total contract amount of $497,168, and authorize final payment of $141,803.90 to K.J. Woods Construction, Inc.

c) Staff Recommendation: Accept work performed for Contract No. WD-2325, Palo Alto Pipeline Connection to Bay Division Pipelines Nos. 1 and 2 at Redwood City, for a total contract amount of $313,148.00, and authorize final payment of $15,657.40 to Shaw Pipeline, Inc.

d) Staff Recommendation: Accept work performed for Contract No. WD-2383, Jackson Street 8-Inch Ductile Iron Main Installation, approve Modification No. 1 (Final) increasing the contract by $39,156, for a final contract amount of $665,290, and with a time extension of 10 consecutive calendar days for a total contract duration of 250 consecutive calendar days, and authorize final payment of $92,470 to MH Construction Management Company.

REGULAR BUSINESS

11. Discussion and possible action related to the Pacifica Recycled Water Project. (Carlin)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute the Memorandum of Understanding by and between the SFPUC and the North Coast County Water District for the purpose of sharing costs and responsibilities for producing a Facilities Planning Report for the Pacifica Recycled Water Project.

CONSTRUCTION CONTRACTS

Award

12. Discussion and possible action related to Contract No. WD-2330. (Fung)

Staff Recommendation: Award Contract No. WD-2330 Central Pump Station Upgrade, in the amount of $8,632,138, to Mitchell Engineering.

PROFESSIONAL SERVICE CONTRACTS

Advertise

13. Discussion and possible action related to Agreement CS-744. (Laws)

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise a request for Agreement No. CS-744, a proposal to provide asset management advisory services at an estimated cost of not to exceed $100,000 for a maximum duration of eighteen months; to receive proposals interested firms and individuals; conduct a competitive selection process to identify the most highly qualified consulting firm(s) or individual(s) to perform the requested services; to negotiated a profession services agreement with the selected firm or individual; and to return to the Commission for approval to execute a professional services agreement(s).

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.

15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

    Existing Litigation: State Farm Insurance Co. vs. City & County of San Francisco; Claim No. 04-01488.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

17. Announcement following Closed Session.

18. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

SFPUC

WATER
HETCH HETCHY
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SAN FRANCISCO PUBLIC UTILITIES COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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MINUTES

March 23, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Service
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Real Estate Services
Strategic & Systems Planning
Utilities Engineering Bureau
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:35 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ryan L. Brooks

   Excused - Commissioner Ann Moller Caen

   Commissioner Adam Werbach arrived at 1:45 P.M.

3. Approval of Minutes

   There were no minutes to approve.

4. Communications

   President Normandy requested staff respond to letters from Tim Colen of the Lake Merced Task Force (LMTF) and Mr. Steve Lawrence.

5. Old/Ongoing Business by Commissioners

   President Normandy requested Mr. Matt Adams, elected Chair of the Rate Fairness Board (RFB), to update the Commission and public on the RFB's activities.

   Mr. Adams reported the RFB had its first meeting on February 4, 2004, to establish its rules and proceedings, a timeline and an agenda for moving forward. He stated they also met on February 25 and March 22. He stated a public outreach process had begun through district meetings in Bayview Hunters Point, Chinatown and the Excelsior, and that more public meetings were being scheduled. He stated the public raised issues about the Southeast Treatment facility, flooding and the impact of a rate increase on seniors, low-income residents and businesses. He stated further public comment was desired.

   He stated the RFB was attempting to create a balance between staff's recommendations for a sewer rate increase and what was required for the continued operation of the sewer enterprise. He stated the RFB had reviewed staff's recommendation for a 33% increase over the next 3 years, encompassing the next 5-year planning phase. As for the timeline, Mr. Adams stated it had slowed down to take the proper time for due diligence and to produce thoroughly researched findings. He stated the RFB was leaning toward recommending a 1-year rate recommendation and to investigate the many issues, such as Lifeline credits, flow factors and conservation methods that had arisen. He stated the RFB did not want to make a firm 3-year commitment and have to return later to make further adjustments. He stated if the RFB made a 1-year rate recommendation, it was with

the understanding that future year recommendations would be necessary. He stated this process would allow for more in-depth research and that the second- and third-year rate recommendations be fair to the residents of San Francisco.

Commissioner Brooks inquired when the recommendations were expected. Mr. Adams stated April 27 tentatively.

Commissioner Werbach inquired if conservation measures were being tied into the process. Mr. Adams stated conservation was a topic that needed to be investigated as connected to the lifeline rate structure and if there were other measures that could be promoted and incorporated.

Commissioner Werbach stated the Commission desired to look at the options as part of the process. Ms. Patricia E. Martel, General Manager of Public Utilities, stated the issue had been raised with RFB and the differences of water rates versus sewer rates had been explained. She shared that staff had reviewed conservation rates as applied to sewer rates, but had not found examples, whereas they had found them for water rates.

President Normandy stated he understood the original timeframe was constricted for the objectives of outreach and due diligence. He inquired if the RFB would consider a single-year rate adjustment, stating it would allow for continued investigation. Mr. Adams responded that the RFB could discuss it at their next meeting and report back. He stated focusing on a single-year increase would allow further investigation of data to make a decision on staff's recommendation and to look at some of the specific policies and assumptions that were made as related to staff's recommendation. He stated the RFB would welcome the opportunity to endorse it for one year and provide the correct data to the Board of Supervisors (BOS). President Normandy commented it was a reasonable approach for achieving the objectives of a long-term perspective and to gain funds for the sewer operation.

Commissioner Werbach asked how recommendations would be presented. Mr. Adams stated a full report would be produced containing staff's recommendation, RFB investigations and public outreach.

Commissioner Werbach requested a week's time to review the materials before meeting to make a decision.

Ms. Martel stated the original timeline would have provided a couple of weeks for review. She stated the RFB would first present their recommendations to the Commission and the public for discussion and that action would be taken at a subsequent meeting. She stated the original timeline was to consider a rate increase in April, to make a recommendation to the BOS in May and to implement an increase on July 1. She stated, as the RFB and public participation process was new, it was important to take adequate time to digest the proposal, deliberate and

formulate recommendations. She noted extension of time on the process would have financial implications on the date to implement a potential rate increase.

President Normandy asked what amount of time was reasonable for the process of a 1-year recommendation. Ms. Martel responded an additional month or less.

President Normandy asked if this was reasonable for the RFB. Mr. Adams agreed, stating the RFB was committed to an aggressive schedule of RFB and public outreach meetings and the priority to produce the report. President Normandy stated this would mean mid-May rather than mid-April. Ms. Martel commented it would be tight, but that the schedule would be pushed to get it ready for BOS review. She noted the public would need to be alerted with sufficient time if there was an approved rate increase.

President Normandy stated all parties were in agreement to consider a 1-year timeframe on a sewer rate increase with an additional month for deliberation and outreach. He thanked Mr. Adams and the RFB for their hard work.

President Normandy requested Ms. Martel to update the Commission on the flood victims of the February 25 storm.

Ms. Martel stated there had been a great deal of activity throughout the City in response to the February 25 flooding incident. She stated Mayor Gavin Newsom, on March 13, had a walk around the flooded areas with representatives from SFPUC, Department of Public Works (DPW), Department of Public Health (DPH), the Mayor's Office of Neighborhood Services and others. She stated they visited some of the flooded homes to see first-hand the dismal conditions. She stated all City staff responded with great concern. She stated a follow-up meeting with the Mayor's staff was scheduled for this week to discuss how departments responded on February 25 and the issues that arose.

She stated on February 25, SFPUC received 375 phone calls during a 6-hour time period, the San Francisco Fire Department (SFFD) received over 1,900 phone calls to the 911-number, and DPW received even more. She shared that there was discussion about the public making phone calls for which they did not get a response or no one came to their home to help. She stated SFFD tried to respond to the calls directly by dispatching fire personnel, but the system got overwhelmed. She stated there was a breakdown in transferring calls to other departments when the 911-system got overwhelmed. She stated it was identified that the protocol needed to be fixed.

Ms. Martel stated there was discussion about the day of the incident and how people who had serious flooding could have been responded to. She stated a protocol was necessary related to the health hazards, noting DPH was not brought in the day of the flood. She stated there had been a lack of health information and that DPH produced flyers several days later. She stated major health concerns

included: people wading in bacteria, sewage water, and handling materials saturated with sewage for days. She stated discussion highlighted the need for increased coordination between SFPUC and DPH when incidents involve any sewer matters. She stated City departments were assessing what could be done better the next time and beginning to develop protocols.

Ms. Martel reported that SFPUC received a number of communications with detailed information from members of the public that had come before the Commission at the last meeting. She stated outside assistance had been sought for some of the flood victims. She stated Sunset Scavenger provided debris boxes to anyone requesting them. She stated both DPW and SFPUC staff assisted with pumping out remaining water in some homes. She stated DPH had addressed issues for people regarding mold, particularly those with respiratory problems, and had sent inspectors to homes. She stated when SFPUC received information from residents, it was passed along to appropriate departments. With respect to claims, she stated the phone calls were referred to the City Attorney's Office.

Commissioner Brooks appreciated the follow-up on the incident, in particular on the mold issue.

President Normandy stated there were two issues the Commission needed to study as he thought they would become policy decisions. The first issue was related to health concerns of San Francisco citizenry related to SFPUC and that close working relations and coordination with DPH were necessary, whether for disastrous occurrences or otherwise. *He requested the Commission, with staff's assistance, start looking at how to generate a closer working relationship with DPH from a policy standpoint.* He clarified SFPUC was not DPH, but needed to have a relationship with them whereby SFPUC could be a conduit for health information generated by DPH.

Commissioner Brooks commented it might be appropriate for information to get funneled through the SFPUC's emergency response plan. He stated in the response plan, he would like to see how the various City agencies would be coordinated and who was responsible for being on-site in the event of an emergency or disaster.

President Normandy concurred and asked Ms. Martel to take Commissioner Brooks' comments into account. His second issue was related to the Commission taking a position on the 311-system and the need for a unified system of communications for disasters and that the Commission offer whatever resources are needed to move the project. *President Normandy proposed that SFPUC take a lead on the 311 issue and requested staff to look into the matter and make a recommendation to the Commission within the next 60-90 days.*

6. Introduction of New Business by Commissioners

Commissioner Werbach expressed he thought the siting of the peaker plants needed to be talked about at the Commission level throughout the process, not at the end.

Commissioner Brooks commented it would be beneficial if a presentation regarding the siting was made to the Commission by Mr. Jesse Blout, Director of the Mayor's Office of Business and Economic Development.

President Normandy agreed it was a good idea.

Ms. Martel stated she would be glad to put it on the agenda for the next meeting. She stated Mr. Blout had recently become one of the primary coordinators for the project. She shared that the peaker project was not specifically an SFPUC project, but a City-wide electricity reliability project. She stated SFPUC had been involved in the project from the beginning, but was not the lead agency and would continue to participate under Mr. Blout's direction. She stated she would pass on the information to Mr. Blout and request that he make a presentation to the Commission.

Commissioner Werbach asked if the Commission would be voting on the site. Ms. Martel responded that the lead agency in determining the sites was the Mayor's Office and that it was outside the Commission's purview. She stated the Commission would approve certain aspects of SFPUC components and would hopefully endorse potential site(s) selected for the peaker projects. She noted the Commission had endorsed the San Francisco Reliability Plan and the peaker project was part of implementing the plan.

Commissioner Werbach commented he was trying to get clarity on the process and thought a presentation would help.

President Normandy requested that the presentation from the Mayors' Office be coordinated with an SFPUC staff presentation to delineate and explain how the two agencies were working together.

Commissioner Brooks inquired what legal jurisdiction SFPUC had on the siting of the peakers. Ms. Vicki Clayton, SFPUC Legal Counsel, replied that the Charter states all utilities and utility supplies of the City are within the jurisdiction of SFPUC. She stated at this time the peakers were an idea as opposed to a utility or utility supply, and requested to research the matter and report back on what input the Commission had in the process.

Commissioner Brooks requested Ms. Clayton to investigate if the Mayor's Office created the policy as the lead agency. He wanted to know how differences would be reconciled if the Mayor's Office policy conflicted with the Commission policy.

President Normandy stated all the issues raised should be factored into the presentation. He requested that the legal ramifications be explained if any of the sites being considered were SFPUC property.

Ms. Martel stated the information requested would be provided and that at the present time, no SFPUC-owned property was being considered for siting the peaker plants. She stated the presentation would be scheduled for the next meeting if Mr. Blout was available. She noted there was a May 1 timeline to secure a site for the peaker plant development under a contract with the Department of Water Resources and the Mayor's Office was busy on the matter. She stated SFPUC staff focused on the technical aspects of the development process.

President Normandy asked which staff represented the agency in the deliberations. Ms. Martel responded she was the lead SFPUC voice and was in regular communication with Mr. Blout. She stated SFPUC staff Julie Labonte, Ralph Hollenbacher and Russell Stepp was assisting her.

7. Report of the General Manager

Ms. Martel precluded the report sharing that she had joined staff on Saturday for the annual Lake Merced Clean Up Day. She stated it was a successful event in which a lot of weeding and cleaning was done in anticipation of the opening of trout season on April 24 for Cal Trout Day.

a) Lake Merced Update

Mr. Greg Bartow, Groundwater Manager, updated the Commission on the proposed interim lake level management strategy. With the aid of a graph, he demonstrated that the lake level was raised 2.5 feet over the last year, and 3.5 feet since 2002. He stated the effort was half way between the low levels when the project was started and the target lake level supported by LMTF. He stated the current level was a good one for both maintaining the natural lake level and monitoring vegetation and wildlife adaptation to the water level. He stated the level would be maintained using a combination of system water, storm water and ground water as available over the next 2-3 winters. He shared that favorable press about the lake levels had been published.

Mr. Bartow stated the main organizers for Cal Trout Day on April 24 were Cal Trout and the California Department of Fish & Game. He stated a fish planting was to be done to celebrate the opening of trout season at Lake Merced. He stated the event would include children's fishing events and a trout derby.

b) CIP Update

Ms. Martel informed the Commission that Mr. Harlan Kelly, Jr., Assistant General Manager of Infrastructure, hosted a second in a series of town hall meetings. She

stated Mayor Newsom was present and shared his thoughts about the challenges the SFPUC faced with the CIP. She commented his most inspiring remarks were about the need for people to change their views of the world and their attitudes and not continue to do "business as usual" to meet challenges. She stated the Mayor's remarks left everyone present with the thought that the SFPUC vision needed to be clarified and that focus needed to be made on conducting multiple activities to make progress at SFPUC. She stated Mr. Kelly's presentation provided the means by which the SFPUC would achieve the CIP.

Mr. Kelly concurred that the Mayor's presence inspired everyone at the meeting. He shared that one of the Mayor's major components came from the book *Built to Last,* which addressed taking risks and making improvements. He stated the Mayor also talked about how the City could improve, not just the SFPUC. He stated the Mayor also talked about how SFPUC could increase its ability to contract faster, which could speed up the CIP.

Mr. Kelly stated his presentation would include updates on the supplemental appropriation, reorganization, and the schedule. He stated Mr. Surinderjeet Bajwa, Project Manager for Program Management Contract (PMC), would address specific projects and Mr. Phil Kohne, Director of Water Infrastructure Partners (WIP), would speak about the WIP contract.

Mr. Kelly stated the supplemental appropriation was first brought to the Commission in October. He stated the WIP portion of the appropriation went to the Finance Committee and for a first reading by the BOS last week and for a second reading by the BOS today. He presented a chart of the supplemental appropriation that showed the proposed budget and the budget analyst's recommendations. He stated $25,712,767 was received with $2.5 million held on reserve for the PMC. He noted there was full funding for the intertie between the water systems of SFPUC and East Bay Municipal Utilities District . He stated there was near funding for the Programmatic Environmental Impact Report (PEIR), additional office space at 1145 Market Street and services from other departments. He noted the Mayor spoke of improving processes and shared that each month of delay on the CIP after 2015, would cost $400,000 and meeting the timeline would result in savings.

As for the reorganization, Mr. Kelly stated the Mayor talked about building an organization that would last. He stated the function-based organization that SFPUC was creating existed in other city departments in other cities. He stated Infrastructure had created five bureaus with specific functions and was in the process of hiring leaders for the bureaus. He stated Ms. Jocelyn Quintos had been hired to lead the Infrastructure Resources Management Bureau and the remaining four were to be hired within the next few months.

Mr. Kelly next addressed the schedule and stated his philosophy was "work had to be planned, then the plan had to be worked." He stated meetings had convened with all the planners and project managers to develop a plan. He stated the plan

had been informally circulated to project engineers and operations for input and would undergo revisions. He stated it would then be shared with stakeholders and wholesale customers for comments.

Mr. Kelly shared the schedule was designed by: 1) identifying the project tasks, 2) establishing the task duration for each project, 3) defining the relationships between each task of the project with the tasks of other projects, and 4) cost loading each task with estimated resources. He stated this produced a cost-loaded schedule that determined the duration of the entire program, the budget, the resources for staff levels, consultant contracts and construction contracts, and progress in terms of time and cost. He stated it was important everyone agreed to the schedule to move forward. He stated it was anticipated to have the schedule completed in a month at which time it would be presented to the Commission.

Mr. Kelly presented a graph of the Regional Program depicting the May 2002 schedule and the proposed schedule, stating there were two major concerns related to AB 1823 requirements. He stated one of the AB 1823 requirements was that 50% of the work needed to be done by 2010. He noted both schedules showed the work was on schedule, but that it was close and needed to be monitored every day to take advantage of every opportunity.

Commissioner Brooks stated he believed 50% of the work being done meant 50% of the dollars had to be expended. He asked if this meant today's dollars or future dollars and how they were being calculated. Mr. Kelly answered that it was being illustrated as today's dollars using present value and saying 50% of the current dollars today would be spent at that time.

Mr. Kelly stated the other AB 1823 requirement was that 100% of the dollars be spent by 2015. He stated the schedule showed 98%. He stated there were 11 years to make up the time and every opportunity to accelerate the program and make up the 2% difference would be explored. He stated he was pleased with the schedule, particularly because adding the PEIR had a major impact on the program. He commended staff, WIP, Ms. Martel and the Commission in this effort, stating the PEIR would make the CIP successful.

Commissioner Brooks commended Mr. Kelly on the reorganization, stating it looked more like a business model and thanked him for the forward movement.

President Normandy echoed the comments stating it fit the Commission's vision to create a business model for SFPUC operations. Related to the schedule, he stated one of BAWSCA's recommendations was to develop a system that correlated the dollars spent to the progress of each project. He stated, in the future, it would be good to hear how the 2% difference of dollars was being taken into account. Mr. Kelly stated Mr. Bajwa's presentation would illustrate the amount of expenditures related to progress.

Mr. Bajwa provided details on Mr. Kelly's overview. In regard to reports, he commented that Ms. Martel made a commitment for transparency in the CIP and that the P3E system was being implemented to report on its progress.

Mr. Bajwa stated 45 of the 77 CIP projects were underway with 25 in Regional and 20 in Local. He stated performance had increased by moving a lot of projects forward and that $47 million would be spent by the end of the year.

Mr. Bajwa presented a statistical data chart of the Regional projects showing progress made from September 2003 to December 2003 on the total 37 projects. He shared that the baseline spending through 2003-04 was originally $12.6 million. He stated the projected spending through 2003-04 would be $25.5 million, indicating good progress. He stated the schedule progress was planned at .6%, but 1.2% had been achieved. He stated the planned cost was 0.6%, but that 0.8% of the funding had been spent, again indicating better progress.

Mr. Bajwa presented a statistical data chart of Local projects showing the progress made from September 2003 to December 2003 on the total 40 projects. He shared that the baseline spending through 2003-04 was originally $7.4 million. He stated the projected spending through 2003-04 would be $22.5 million. He stated the schedule progress was planned at .6%, but 2.4% had been achieved. He stated the planned cost was 0.6% but that 1.5% of the funding had been spent.

Mr. Bajwa shared that the major activities at this time were the Program PEIR and Project Specific EIRs, alternative analysis on projects in the planning phase and construction of the two Local projects at Summit Reservoir and Sunset.

Mr. Bajwa then detailed the planned/actual progress on the nine critical projects under AB 1823: 1) Bay Division Pipeline Hydraulic Capacity Upgrade, 0.6% / 1.4%; 2) Irvington Tunnel/Alameda Siphon Alternatives, 1.2% / 1.4%; 3) Bay Division Pipeline #1 & #2, 0.9% / 1.4%; 4) Calveras Dam, 1.0% / 0.74%; 5) Crystal Springs/San Andreas Transmission System Upgrade, 0.9% / 0.5%; 6) Sunol Valley Water Treatment Plant, 0.6% / 1.1%; 7) New Crystal Springs Bypass Tunnel, 1.1% / 3.4%; 8) Seismic Upgrade of BDPL at Hayward Fault, 1.6% / 1.3%, and 9) San Joaquin Pipeline No. 4, 0.2% / 1.0%.

Mr. Bajwa's report next moved to the 52 projects of the 1997 Bond A and 26 projects of the 1997 Bond B. He reported the majority of the work had been completed on Bond A and the program was targeted to be completed in 2005. He stated most of the work was done on Bond B with the remaining dollars being spent on construction.

Commissioner Brooks asked if the progress was determined by the dollar amount spent or by how much of the project was completed. Mr. Kelly stated it was based off the money spent, not on the time or deliverables.

President Normandy reiterated the importance of his request made earlier for reporting to tell the Commission what work had been achieved and what the dollar amount was. He stated this would provide information not only for the Commission but SFPUC stakeholders.

In summation, Mr. Bajwa stated good progress had been made and that SFPUC was gaining experience in working collaboratively with WIP and that their knowledge was being transferred.

President Normandy reiterated the policy requested by the Commission for presentations to be black print on a white background.

Mr. Kohne updated the Commission on the status of the WIP contract, progress on key projects, issues of as-needed versus program management services and the CIP needs after the WIP.

Mr. Kohne stated Contract Year 4 was approved in its entirety. He stated December 21 was the end date and the year would focus on transition and closeout. He stated WIP would work closely with SFPUC staff in moving projects forward.

Related to the MBE/WBE firms in the program, he shared originally there had been five MBE and two WBE and that additions had raised it to seven MBE and three WBE. He stated WIP continued to look for opportunities to include local MBE/WBE teams.

Mr. Kohne stated firms were providing strong contributions in the areas of technical, administrative and controls. He stated WIP was working closely with the SFPUC team to help drive the CIP and progress as highlighted by Mr. Bajwa.

Mr. Kohne focused on the planning and engineering of some major projects needing long lead times and quick starts. He stated 80% of the $3 billion CIP was the Regional program. He stated of the Regional projects, 60% of the work was in pipelines and tunnels and 40% was for treatment plants, dams and other projects. He stated current focus was on the three largest pipeline and tunnel projects: 1) San Joaquin Pipelines and Tunnels was in the early phase of alternatives analysis. 2) Bay Division Pipeline was at the end of alternatives analysis and moving into the conceptual engineering report. 3) Irvington Tunnel was at the beginning of the conceptual engineering report. He noted that the alternatives analysis and the conceptual engineering report would form the baseline for the environmental studies and for the designs to follow.

Mr. Kohne next addressed topics that had arisen such as whether or not the WIP team was having a substantive impact, was WIP providing as-needed services rather than program management, and was WIP doing real work or as-needed. Mr. Kohne clarified that agencies look for two types of—program direction and urgent

needs. He stated the first furnished expertise and experience and performed analyses and evaluation to make recommendations that were critical for program progress and success. He stated the second provided attention to mobilization, peak workloads and services to maintain program momentum, noting that in the Civil Service System, it took time to bring on staff.

Mr. Kohne stated the WIP contract had two basic requirements that became their goals: 1) assist with successful delivery of the CIP, and 2) develop SFPUC staff and program organization. He stated the contract gave both requirements equal weight, as they were critical to the success of the SFPUC and the CIP. He stated to meet the goals, WIP was contributing: 1) expertise in addressing the peak workload to deliver the CIP, and 2) expertise to develop the capabilities of the SFPUC. He stated WIP was providing 50% program direction and 50% as-needed services. He stated as more City staff was used, as-needed dropped down and program direction became a larger component.

In summation, Mr. Kohne stated WIP's view was similar to Mr. Kelly's team of what was needed after the WIP's contract ended: 1) More staff was needed to take on the roles performed by WIP. 2) Consultants were needed for specialty areas not developed in-house and that would be useful to move the program successfully. Mr. Kohne availed himself for questions.

President Normandy stated appreciation for the concerns Mr. Kohne addressed. He asked that Mr. Kohne enlighten the Commission as to WIP's recommendation for what SFPUC should do related to program management consulting when the contract ended. He asked for his analyses and projections and how the Commission should take on planning for either continuation or extension of a program management consulting team.

Mr. Kohne responded that there were several options open to the City and WIP could work with Mr. Kelly's team to examine them and determine which would be the most effective in delivering the CIP in terms of working with Local 21 and Mr. Kelly's team. He stated further work could be done, additional consultants could be brought on and transition work would be done. He stated a combination might also be possible.

President Normandy stated one of the vital elements of the program management consulting team was to be an objective sounding board and to bring private sector sensitivity to the public sector to do the CIP on time and on budget. He suggested WIP aid the Commission in the remaining time of its contract to make suggestions and help shape the vision of the CIP beyond the WIP contract. He stated it was recognized the service needs had changed and would continue to change over time. *President Normandy requested the WIP team suggest the steps the Commission should consider for outside program management consultants to move the CIP forward and to advise and counsel the Commission in the next few months.*

Mr. Kohne stated he would be glad to support the effort.

President Normandy requested Ms. Martel include continued dialog with the WIP team in future agenda items both in open sessions and in meetings with various task forces of the Commission.

c) Water Banking Resources Report

Mr. Michael Carlin, Strategic & Systems Planning Manager, stated he was preparing materials on water supply for the upcoming April 29 meeting and would go into more detail at that time on how water banking might fit into SFPUC's water supply. He stated the written material provided today covered two different water-banking opportunities that had been considered: 1) Semitropic Water Bank and 2) Westside Groundwater Basin. He stated Semitropic was not feasible because of issues with the Raker Act and transferring water to Bakersfield. He stated the Westside Groundwater Basin was an in-lieu exchange of water with the cities of Daly City, San Bruno and South San Francisco. He stated a pilot program of advancing those City's 7500 acre-feet of water had been very successful and the plan was to continue the pilot program another year. He stated the intention was for a long-term deal whereby when SFPUC had available surplus water, it could be advanced to them in lieu of them pumping their groundwater basin. He stated this would provide a new supply of water to SFPUC from the groundwater basin for use during emergency or drought conditions. He stated it was desired to integrate it into long-term water supply planning. Mr. Carlin stated the pilot program was with SFPUC customers, but he hoped to report in the future on opportunities and developments with other entities, such as other utilities that abut the SFPUC service area.

President Normandy recessed the meeting at 3:10 P.M.

The meeting reconvened at 3:21 P.M.

Ms. Martel shared two noteworthy news items: 1) She stated the City Council of Redwood City approved a recycled water plan on Monday, which had been stalled over a period of time because of public concern about recycled water used on public landscaping and playing fields. She stated a task force convened to discuss the options, which resulted in the Council approving the recycled water program, would save 2000 acre-feet of potable water annually. She stated the plan included resurfacing some playing fields with artificial turf, conservation incentives and requiring new developments to install purple piping or dual-plumbing for recycled water.

President Normandy stated SFPUC could benefit from Redwood City's efforts and asked that the Commission be continually apprised.

2) Ms. Martel shared that she attended the BAWSCA Board of Director's meeting last week. She informed the Board that SFPUC was continuing to monitor the status of the President's proposed Hetch Hetchy rental fee increase. She informed them that Mr. Darryl Owen, SFPUC Federal Lobbyist, had worked diligently with the staff of Congresswoman Nancy Pelosi, U.S. Senator Dianne Feinstein and the House Water Resources Committee on the issue. She stated the issue had been quieted and there was no forward movement on it in the budget process at this time. She stated the Board would continue to be apprised on the matter and if more political endorsement of SFPUC's position was needed, assistance would be sought through BAWSCA's legislative representatives in Washington.

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

a) Bay Area Water Supply & Conservation Agency Report

Mr. Art Jensen, BAWSCA General Manager, stated that a correction needed to be made to information Ms. Martel provided on the Redwood City recycled water project. He stated the project had not been stalled, explaining the Redwood City Council approved the project last summer, not this week as stated. He shared that the task force formed last summer was to identify which areas should receive recycled water first, not whether the project should go forward. He also stated that he had spoken with Mr. Peter Ingram, head of Redwood City Public Works, about the possibility of artificial turf taking away from the market for recycled water, and if this made the project less cost effective and feasible. Mr. Ingram responded that it did not as Redwood City had more markets to reach, noting that artificial turf previously existed in Redwood City. He stated the BAWSCA Board appreciated Ms. Martel's report on the Hetch Hetchy fees and were prepared to support the SFPUC on this matter. He shared that Chair Ira Ruskin commented that it might be appropriate for an agency to pay a fee for resources in a national park or forest and that the fee be based on clear and understandable reasons and applied fairly to everyone.

Mr. Jensen stated the BAWSCA Board requested a report related to the CIP on "Can San Francisco Get the Job Done? And was it on a trajectory to do so?" He stated the report had been provided to the Commission. He stated an engineering firm examined data and produced a report that concluded it was too early to tell and that there was no basis to determine success or failure.

He stated the BAWSCA Board was not worried or fearful, but had some concerns. He stated the Board expected reports on a 6-month cycle to gain assurance on the process. He stated the Board insisted on a collaborative, serious, and assertive approach in working with SFPUC for the success of the CIP. He stated he would share the letter in the Communications received from Mr. Lawrence as it cited information that was not in their report, but would consult SFPUC staff for accuracy before doing so.

Mr. Jensen clarified the AB 1823 requirement states that projects representing one-half of the dollar amount must be completed. He stated it was not the money spent, but the projects representing that portion of the total that needed to be completed.

Commissioner Brooks asked if the AB 1823 dollars represented today's dollars or future dollars and how it was calculated. Mr. Jensen stated he would find out and get the answer to the question. He further stated AB 1823 did not say half the money had to be spent. He stated the legislation did not say $3 billion should be spent and if less expensive ways could be found, that was to everyone's benefit.

Mr. Jensen commented on the CIP presentation, stating it was helpful to be shown a cost curve and a physical percent complete curve to see and judge what had been done versus planned. He commented the WIP contract indicated excellent support was being given, but that he did not consider it program management. He stated WIP was consultant assistance, as program management was a firm that came in and was in charge and had authority. He commented the original concept was program management and it evolved into something else over time. He encouraged the contract be described in the future as something other than program management.

Mr. Jensen stated with respect to BAWSCA's concerns and issues, they looked forward to the March 29 meeting. He noted BAWSCA was particularly interested in information from Mr. Carlin about additional water supplies for dry years. He stated BAWSCA wanted to see an answer to the questions, "How much, by when?" in future reports.

President Normandy stated a redefinition of the WIP contract was needed as the program management contract had evolved into something else over time. He stated he would like to see more emphasis on program management than on consulting, as there was a need for it. He stated the Commission shared concern, as did BAWSCA.

9. Public Comments on matters not on today's agenda.

Mr. Tim Colen, LMTF Chair, stated LMTF was now an umbrella organization of 30+ groups representing environmental groups, neighborhood associations and educational institutions. He stated at its last meeting, LMTF unanimously passed a resolution urging the SFPUC to fully support and push the Water Department to begin a pilot-scale project of tertiary-treated water out of the Oceanside Treatment Plant. He stated LMTF would like to see the project begin as soon as possible, noting the advantages of low cost, speed and not being subjected to permitting as a pilot project. He stated LMTF understood equipment was available at Oceanside for the project. He stated immediate uses for tertiary-treated water would be the San Francisco Zoo and Harding Park, which would free up system water and decrease pumping from the Westside Basin Acquifer. He stated a key advantage

to doing the project was to create public acceptance of using treated water. He stated SFPUC would learn from the project how to produce, manage and distribute treated water and customers would experience how to use it. He urged the Commission support the project and implement it quickly.

President Normandy responded he enthusiastically supported the proposal and had requested staff prepare a response to Mr. Colen.

CONSENT CALENDAR

10. Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the items (a-d) listed under the Consent Calendar; passed (4-0) unanimously.

    a) Resolution No. 04-0044: Approve the rejection of all bids for Contract No. WD-2398, Merced Manor Reservoir Upgrade, and authorize the General Manager of Public Utilities to re-advertise the contract as Contract No. WD-2398R, Merced Manor Reservoir Upgrade; to receive and evaluate bids. The engineer's estimate is $5,754,760.

    b) Resolution No. 04-0045 : Accept work performed for Contract No. CW-332, 8th Avenue / Steiner Street Sewer Replacement, approve Modification No. 1 (Final) decreasing the contract by $66,832, for a total contract amount of $497,168, and authorize final payment of $141,803.90 to K.J. Woods Construction, Inc.

    c) Resolution No. 04-0046: Accept work performed for Contract No. WD-2325, Palo Alto Pipeline Connection to Bay Division Pipelines Nos. 1 and 2 at Redwood City, for a total contract amount of $313,148.00, and authorize final payment of $15,657.40 to Shaw Pipeline, Inc.

    d) Resolution No. 04-0047: Accept work performed for Contract No. WD-2383, Jackson Street 8-Inch Ductile Iron Main Installation, approve Modification No. 1 (Final) increasing the contract by $39,156, for a final contract amount of $665,290, and with a time extension of 10 consecutive calendar days for a total contract duration of 250 consecutive calendar days, and authorize final payment of $92,470 to MH Construction Management Company.

REGULAR CALENDAR

11. Discussion and possible action related to the Pacifica Recycled Water Project.

Moved by Commissioner Brooks, seconded by Commissioner Werbach, to adopt the following resolution; passed (4-0) unanimously

Resolution No. 04-0048: Authorize the General Manager of Public Utilities to execute the Memorandum of Understanding by and between the SFPUC and the North Coast County Water District for the purpose of sharing costs and responsibilities for producing a Facilities Planning Report for the Pacifica Recycled Water Project.

CONSTRUCTION CONTRACTS

Award

12. Discussion and possible action related to Contract No. WD-2330.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (4-0) unanimously

Resolution No. 04-0049: Award Contract No. WD-2330 Central Pump Station Upgrade, in the amount of $8,632,138, to Mitchell Engineering.

PROFESSIONAL SERVICE CONTRACTS

Advertise

13. Discussion and possible action related to Agreement CS-744.

Commissioner Brooks stated when he read the item he thought it was a good idea to have a master plan, but asked if there was also a strategic plan. Mr. William Laws, Financial Services Rate Administrator, affirmed it was correct.

Commissioner Brooks shared he did not understand why the two plans would not be done concurrently under one RFP.

Ms. Martel stated the original approach for assistance with asset management was more expansive than the RFP. She stated she had told Mr. Laws that the asset management program would dovetail into the preceding strategic plan. She stated this RFP would provide preliminary consulting assistance to move in the direction of developing an asset management plan and that baseline data and information needed to be collected internally to do so.

Mr. Laws stated the intent was to embark on the implementation of an asset management program. He stated, as Ms. Martel intended to proceed with the strategic plan, it was realized it was not appropriate to move forward on the original scope of work. He stated with the ongoing CIP program, it was recognized that certain problems needed to be addressed regarding lack of continuity between CIP information used for fixed asset accounting versus what was used for maintenance management. He stated the RFP would lay a foundation to implement a quality asset management program in the future and address near-term needs to collect reliable data to account for capital expenditures.

Commissioner Brooks stated he understood the concern and approach, but that the description of the project stated the plan would entail policies, procedures, standards, practices, infrastructure, operations and maintenance activities. He stated collection of this information seemed more for a strategic plan. He reiterated he thought both plans should be together in one RFP.

Mr. Laws stated there were three systems that contained asset-related data: the project control system, the fixed asset accounting system and Maximo. He stated there was a lack of congruity in the systems that needed to be corrected and could not be deferred to policy direction. He stated most of the work would be done by SFPUC staff and an outside consultant would be used to ensure that practices were being implemented that were consistent with industry standards and help the agency achieve a best-in-class ranking. He stated the plan would not deal with issues related to the strategic plan.

Commissioner Brooks stated he was supportive of the process if it was necessary, but he did not understand why the plan would include policies, procedures and the components of a strategic plan.

Ms. Martel stated the policies and procedures referred to in the RFP were operational, not broad policies. She stated the intent was to link project controls with accounting and day-to-day operating functions within the organization. She stated it was more about documenting those kinds of policies and procedures as opposed to broad policy direction that would be developed in the strategic plan. She stated it would not be a change in policy direction, but would help bring two separate and distinct functions closer together and identify the protocols for doing that.

Commissioner Brooks asked if the strategic plan would identify the protocols and if it would change policies and procedures. Ms. Martel stated the direction the Commission had given her was to find another means for a shortened timeline on the strategic planning process. She stated at the next meeting, she would be talking about using an outside facilitator to pick up the work done on the balanced scorecard. She stated another RFP for strategic planning would not be issued.

President Normandy inquired if there would be any negative impact if the item were continued to the call of the Chair for the March 29 meeting. Ms. Martel and Mr. Laws concurred there would be no negative impact

Moved by Commissioner Brooks, seconded by Commissioner Werbach, to continue Item 13 to the call of the Chair; passed (4-0) unanimously

Staff Recommendation: Authorize the General Manager of Public Utilities to advertise a request for Agreement No. CS-744, a proposal to provide asset management advisory services at an estimated cost of not to exceed $100,000 for a maximum duration of eighteen months; to receive proposals interested firms and individuals; conduct a competitive selection process to identify the most highly qualified consulting firm(s) or individual(s) to perform the requested services; to negotiated a profession services agreement with the selected firm or individual; and to return to the Commission for approval to execute a professional services agreement(s).

CLOSED SESSION

14. Public comments on matters to be discussed in Closed Session.

    There were none.

15. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

    Moved by Commissioner Brooks, seconded by Vice President Costello, to assert the attorney-client privilege; passed (4-0) unanimously.

The Public Utilities Commission met in Closed Session at 3:55 P.M. to discuss the following matters:

16. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

    Present were President Normandy, Vice President Costello, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y. Jung.

    Existing Litigation: State Farm Insurance Co. vs. City & County of San Francisco; Claim No. 04-01488.

Moved by Commissioner Brooks, seconded by Commissioner Werbach, to adopt the following resolution; passed (4-0) unanimously

Resolution No. 04-0050

Following the Closed Session, the Commission reconvened in open session at 4:04 P.M.

17. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

18. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Costello, seconded by Commissioner Brooks, not to disclose the discussions during Closed Session; passed (4-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 4:05 P.M.

Mary Y. Jung
Secretary

SFPUC

WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Gavin Newsom
MAYOR

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AGENDA

REGULAR MEETING

April 13, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Infrastructure Division
Real Estate Services
Strategic & Systems Planning
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TYY at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City accommodate these individuals. Individuals with chemical sensitivity or related disabilities should call our accessibility hotline at (415) 554-6060.

Know your rights under the Sunshine Ordinance
(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Approval of Minutes

   a) Minutes of the January 13, 2004 Regular Meeting

   b) Minutes of the January 27, 2004 Regular Meeting

4. Communications

CLOSED SESSION

5. Public comments on matters to be discussed in Closed Session.

6. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

7. Conference with Legal Counsel – Anticipated Litigation Pursuant to Government Code Section 54956.9 and San Francisco Administrative Code Section 67.8(a)(3): (Clayton, Roddy)

   As Defendant: In excess of 50 potential claims related to Storm and Flooding, February 2004.

8. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

   Existing Litigation: Esmaili v. City of Millbrae, et al., Santa Clara County Superior Court Case No. 805070, and consolidated actions.

9. Public Employee Performance Evaluation Pursuant to Government Code Section 54957 and Administrative Code Section 67.10.

   General Manager, Public Utilities Commission: Patricia E. Martel.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

10. Announcement following Closed Session.

11. Motion regarding whether to disclose the discussions during Closed Session.

ORDER OF BUSINESS, CONT.

12. Old/Ongoing Business by Commissioners

13. Introduction of New Business by Commissioners

14. Report of the General Manager

    a) Budget Task Force (Martel)

    b) Flooding Update (Franza/Lee)

15. Public Comments

    Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY, WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

CONSENT CALENDAR

16. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

a) Staff Recommendation: Award Contract No. WD-2364, Pine Street 8-Inch Ductile Iron Main Installation, in the amount of $1,267,152 to J. Flores Construction.

b) Staff Recommendation: Award Contract No. WD-2390, Ingoing Road Repair Near Five-Points, in the amount of $443,888, to Granite Rock Company.

c) Staff Recommendation: Award Agreement No. CS-728, a professional services agreement, to OPAC Consulting Engineers, to provide specialized work for Inspection, Testing, Site-Specific Geotechnical and Biological Services for Bay Division Pipeline Nos. 1 & 2 – Repair of Caisson and Dumbarton Pipeline Bridge, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement with OPAC Consulting Engineers for an amount not to exceed $850,000, and with a duration of 30 months.

d) Staff Recommendation: Approve Amendment No. 1 to Agreement No. CS-694, Enterprise Risk Management, with R. W. Beck, Inc. to extend effective date from May 7, 2004 to April 30, 2005 to complete task orders, and authorize the General Manager of Public Utilities to execute this amendment accordingly.

REGULAR BUSINESS

17. Discussion and possible action related to a California Energy Commission loan. (Smeloff)

Staff Recommendation: Request the Board of Supervisors to accept and expend a loan of $1,622,940 from the California Energy Commission for a 229-kilowatt photovoltaic project and energy-efficiency measures at Southeast Water Pollution Control Plant. The authority for this project was provided by Proposition H-Solar Bond Initiative, approved by voters in November 2001. In addition, authorize the General Manager of Pubic Utilities to execute the required grant documents.

18. Discussion and possible action related to a Memorandum of Understanding with Lennar/BVHP. (Smeloff)

Staff Recommendation: Request approval of a Memorandum of Understanding (MOU) between the SFPUC and Lennar/BVHP on the "greening" of the conversion of the Hunters Point Naval Shipyard to residential and commercial use and authorize the General Manager of Public Utilities to execute the MOU.

19. Discussion and possible action related to water supply planning with the Santa Clara Valley Water District. (Carlin)

Staff Recommendation: Authorize the General Manager of Pubic Utilities to sign a Memorandum of Understanding between the SFPUC and Santa Clara Valley Water District for coordination of water supply planning.

20. Discussion and possible action related to a Bay Area Integrated Regional Water Management Plan. (Carlin)

Staff Recommendation: Authorize the General Manager of Public Utilities to sign a Letter of Mutual Understanding for participating in the development of a nine-county Bay Area Integrated Regional Water Management Plan.

21. Discussion and possible action related to increasing the appropriation for the Security Project. (Davis)

Staff Recommendation: Request that the SFPUC's FY 2004-2005 budget proposal for revenue–funded capital projects be amended to increase the annual appropriation for the Security Project from $2,000,000 to $2,890,907.

LEASES AND PERMITS

22. Discussion and possible action related to a permit with CS Bio, Inc. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a permit with CS Bio, Inc. to use approximately 7,600 square feet of SFPUC land located adjacent to 20 Kelly Court, near Willow Road and O'Brien Drive in Menlo Park, to park cars and trucks.

23. Discussion and possible action related to a permit with Pacific Nurseries. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a permit with Pacific Nurseries to use approximately 2.74 acres of SFPUC land located adjacent to 465 Stierlin Road, near N. Shoreline Boulevard and Montecito Avenue, in Mountain View, to use as a nursery to store and cultivate plants.

PROFESSIONAL SERVICE CONTRACTS

Award

24. Discussion and possible action related to Agreement No. CS-746. (Carlin)

Staff Recommendation: Award Agreement No. CS-746, to Irvington Partners Joint Venture (BASELINE Environmental Consulting and Jones & Stokes) for Alameda Siphons/Irvington Tunnel Project Environmental Impact Report Services, to provide environmental analysis services for the SFPUC, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement with Irvington Partners Joint Venture for an amount not to exceed $1.2 million, and with a duration of 48 months.

25. Discussion and possible action related to Agreement No. CS-749. (LaBonte)

Staff Recommendation: Approve the selection of Public Affairs Management (PAM) and Alfred Williams Consultancy (AWC) Joint Venture, award a professional services agreement to provide assistance with the public participation process under Agreement No. CS-749, Clean Water Master Plan Public Participation Services, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement with PAM/AWC Joint Venture for an amount not to exceed $2 million, and with a duration of thirty-six months from the date of the Notice to Proceed.

Amend

26. Discussion and possible action related to Agreement No. CS-524. (Martel/Kelly)

Staff Recommendation: Approve Amendment No. 3 to Agreement No. CS-524, Program Management Services, incorporating minor changes to the agreement language to conform to the auditor's recommendations and clarifying the terms of the agreement; approve Amendment No. 4, clarifying forms of compensation to conform to the auditor's recommendations; and forward both amendments and the resolution to the Board of Supervisors for informational purposes.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

4/13/04 Minutes SFPUC Commission 07/11/2004

Gavin Newsom
MAYOR

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MINUTES

April 13, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS	BUREAUS
Water Department	Customer Service
City Distribution Division	Environmental Regulation & Managemer
Water Supply & Treatment	
Hetch Hetchy Water & Power	Financial Services
Clean Water Program	Human Resource Services
Water Pollution Control	Information Technology Services
	Infrastructure Division
	Real Estate Services
	Strategic & Systems Planning
	Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:31 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, Commissioner Ann Moller Caen, Commissioner Adam

Werbach, Commissioner Ryan L. Brooks

3. Approval of Minutes

Moved by Vice President Costello, seconded by Commissioner Brooks, to adopt the Minutes of the January 13, 2004 Regular Meeting and the January 27, 2004 Regular Meeting as amended; passed (5-0) unanimously.

4. Communications

President Normandy requested staff respond to letters received by the Commission regarding the solar power bonds.

CLOSED SESSION

President Normandy announced closed session was at the beginning of the meeting for a briefing from the City Attorney's Office (CAO) regarding complaints related to the February 25 flooding.

5. Public comments on matters to be discussed in Closed Session.

Ms. Jane Martin, Shotwell Street resident, stated several citizens were present to address the February 25 sewer backup specifically and ongoing backups in general. She stated she had a 3-minute video to show. She stated a timeline and a chronology of what had happened was prepared and provided to Mr. Andrew Lee. In addition, she stated the Shotwell Street Neighborhood Association (SSNA) had prepared some questions for which they wanted written responses.

Ms. Natasha Belfor, Shotwell Street resident, presented the SSNA questions: What caused the sewer backup on February 25th? What caused the backup on March 25th, which was a small rain? What preventative measures have been taken since February 25th to minimize further damage and loss? In particular, for rain expected this week? When does the dry season begin? What repairs are scheduled until the dry season? What repairs are scheduled once the dry season begins? When will the sewer backup stop so that the buildings may be reoccupied? Under what circumstances are the combined sewer overflow floodgates intended to operate? Are they manual or automatically activated? Were they activated on February 25th? How about on March 25th? And if so, what happened and under what circumstances? She stated in summation the questions for the residents meant when could they move back, would the flooding stop, and what was being done right now.

Ms. Martin showed the 3-minute video. She narrated the visuals depicting high water on the street, flooding footage, storage of her personal and work items that had been damaged, site of sewage

coming out of manhole, flooding in garages, people trying to bail themselves out, gardens under water, sandbagging, and water out of backyard. Ms. Martin stated she had a VHS version which she would leave for the Commission to view.

Ms. Belfor commented a smaller rain occurred in March, yet the sewers overflooded again and the neighborhood anticipated flooding whenever it rained.

Ms. Shirley Kollmann, San Francisco resident, stated she also had a video she would provide to the Commission that depicted a river of water flowing down Russia Street. She stated the condition happened four times in December, not just on February 25, and that the river happened in a matter of hours. She stated she had been dealing with the flooding situation for four months and that no one responded to her in December despite all her calls. She stated she finally received a response in February, but no answer to her situation. She stated she was pleased when Andrew Lee came to her home, as she was hopeful some temporary solution followed by a long-term solution would result. She stated Mr. Lee wrote on CAO letterhead while at her home, and when asked why, did not give her a good explanation. She stated she sent an email asking why he was writing on CAO letterhead and that she still wanted to know why. She questioned if he was working for the CAO or SFPUC.

President Normandy requested that staff responses and comments be made in open session.

Commissioner Brooks asked how long Closed Session would take so the public could plan accordingly. President Normandy deferred to the City Attorney. Ms. Vicki Clayton, SFPUC Legal Counsel stated an hour.

President Normandy stated the open session would reconvene at 3:00 P.M. and if they were done earlier, they would wait until 3:00 P.M.

6. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Vice President Costello, seconded by Commissioner Werbach, to assert the attorney-client privilege; passed (5-0) unanimously.

The Public Utilities Commission met in Closed Session at 1:52 P.M. to discuss the following matters:

The items in Closed Session were taken in the following order: 8, 7, 9.

8. Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a): (Clayton)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y, Jung, SFPUC Acting Assistant General Manager of Operations Cheryl Davis, SFPUC Water Pollution Control Manager Tom Franza, and Deputy City Attorneys John Roddy and Matthew Rothschild.

Existing Litigation: Esmaili v. City of Millbrae, et al.; Santa Clara County Superior Court Case No. 805070, and consolidated actions.

Authorized City Attorney to make settlement proposal.

7. Conference with Legal Counsel – Anticipated Litigation Pursuant to Government Code Section 54956.9 and San Francisco Administrative Code Section 67.8(a)(3): (Clayton, Roddy)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y, Jung, SFPUC Civil Engineer Thomas Standing, and Deputy City Attorney Louise Simpson.

As Defendant: In excess of 50 potential claims related to Storm and Flooding, February 2004.

No action was taken.

Ms. Martel was excused from Closed Session at 3:00 P.M.

9. Public Employee Performance Evaluation Pursuant to Government Code Section 54957 and Administrative Code Section 67.10.

Present were President Normandy, Vice President Costello, Commissioner General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, and Commission Secretary Mary Y, Jung.

General Manager, Public Utilities Commission: Patricia E. Martel.

No action was taken.

Commissioner Brooks was excused at 3:08 P.M.

Following the Closed Session, the Commission reconvened in open session at 3:12 P.M.

10. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

11. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Costello, seconded by Commissioner Werbach, not to disclose the discussions during Closed Session; passed (4-0) unanimously.

ORDER OF BUSINESS, CONT.

12. Old/Ongoing Business by Commissioners

Commissioner Werbach stated he was disappointed that the topic of the potential siting of the peaker plants in San Francisco was not on the agenda. He stated it was discussed at the last meeting and there was direction from the President and General Manager to put it on today's agenda. He stated he had discussed it with the Mayor's Office, and they expected it to be on today's agenda. He urged that it be on the next meeting's agenda as it was an important topic to be discussed by the Commission.

President Normandy asked Ms. Mary Jung, Commission Secretary, for an explanation. Ms. Jung stated it was not given to her to put on the agenda. She stated she brought it up as a regular agenda item and later as an addendum, but it still was not added. She stated it could have been added to the agenda as an addendum, but it was not. She stated a review of the March 23 meeting notes indicated it was dependent on the availability of Jesse Blout, Director of the Mayro's Office of Economic Development. She reiterated she was never told or given materials to put it on the agenda even after asking about it several times.

President Normandy requested that special attention be given to the issue of a presentation regarding the peaker plants depending upon Mr. Blout's availability. He asked if the reason why it was not scheduled was based on availability. Ms. Jung stated it was not and direction usually comes from the General Manager's Office.

Commissioner Caen noted there was no general manager.

President Normandy asked Assistant General Manager Edward Smeloff to take the General Manager's seat at 3:17 P.M.

President Normandy asked if putting the report on the next agenda addressed his concern. Commissioner Werbach stated it would.

President Normandy requested that the peaker plant report be scheduled on the next agenda. Ms. Jung affirmed it would.

President Normandy asked Mr. Smeloff to give background on the issue. Mr. Smeloff stated he understood that the President directed the General Manager at the last meeting to contact Mr. Blout and the Mayor's Office of Economic Development.

Ms. Martel arrived at 3:19 P.M.

Commissioner Caen inquired on the status of the Rate Fairness Board (RFB) and if they had met. Ms. Martel stated the RFB had been meeting regularly for the last couple of months and had held a series of public hearings, for which the dates had been provided. She stated RFB was deliberating and preparing a draft report to submit to the Commission for the first meeting in May. She stated the RFB would be available at that time to present their report to the Commission and address questions.

President Normandy recalled that the Chair of RFB addressed the Commission and it had been agreed the RFB would present an option for a 1-year rate increase and the remaining years for increases would be investigated.

Commissioner Caen inquired on the development of the Hetch Hetchy Water & Power (HHWP) business plan. Ms. Martel stated Finance and HHWP staff had been working together on the foundation for a HHWP business plan. She stated discussion at the March 29 Special Meeting addressed how information was required from an organization-wide strategic business plan to provide the basis for a HHWP business plan. She stated staff had been discussing the basic structure of a business plan and what information was needed to develop the structure. She stated she met last week with Mr. Smeloff and a consultant who had worked for the State and was familiar with HHWP operations regarding the development of a business plan. She stated they had discussed when it would be appropriate for the consultant to begin a facilitation process with staff and serve as an independent advisor to develop the business plan. She reported progress was being made.

Commissioner Caen inquired on the status and timeline of the Red Oak Consultants. Ms. Martel deferred to President Normandy. President Normandy stated it was deemed best to put a hold on the process due to questions on the entire performance assessment of the organization, the Commission's policy statement made a year ago regarding the agency's reorganization plan, and new leadership. He hoped for some forward movement quickly.

Commissioner Werbach commented on the item of rate-based practices for conservation in the sewer rate study being finished on

April 7th. Ms. Jung stated a report was provided in the Commission packet on the topic. Commissioner Werbach stated he had not seen it. Ms. Jung stated it could be sent again.

President Normandy requested Mr. Smeloff update the Commission on how the implementation of Propositions B and H regarding solar energy could be done more quickly.

Mr. Smeloff stated three things were being done to accelerate the implementation of solar energy projects and leveraging financial instruments for the projects: 1) California Energy Commission funds were being used for energy efficiency and solar projects at a favorable interest rate over a 10- to 15-year period of time, noting one such project for $1.6 million was on today's agenda. 2) Discussion with SFPUC Bureau of Finance Director believed there were other ways of issuing debt absent a full-fledged business plan for HHWP. He stated consideration was being given for putting the next three solar projects together: Moscone West, Pier 96 with Norcal, and Pier 50 with the Port. He stated they would qualify for a Self-Generation buy-down by putting them together. He stated staff indicated debt financing for these projects could be put together and the repayment of the debt could be enhanced by HHWP's revenues, but not the full amount of revenues. He stated how to do limited issuance of debt to support these three projects was being explored. 3) Forward movement on the HHWP business plan would allow HHWP to borrow funds through issuing revenue bonds for projects related to improving the electric system.

President Normandy requested Mr. Smeloff and his staff write the responses to the letters received regarding the solar bonds. Mr. Smeloff stated he and staff would respond to the letters.

13. Introduction of New Business by Commissioners

Commissioner Werbach requested a report on the Clean Water Master Plan related to recycled water as early as possible.

14. Report of the General Manager

a) Budget Task Force

Ms. Martel stated during the February budget deliberations the Commission requested a Budget Task Force (BTF) be established to develop a policy process for the budget that would move the process forward earlier and allow the Commission to provide input on policy matters and priorities for the preparation of the budget. She stated she convened a preliminary internal BTF of SFPUC staff representing Operations, Water Supply & Treatment, Water Quality Bureau, Water Pollution Control (WPC), HHWP, and Financial Services.

Ms. Martel stated the internal BTF recommended that a holistic approach be taken on the budget with the goal of improving the budget to be more user-friendly and to implement the Commission's request related to policy and priorities. She stated the current budget document was not a good tool to achieve the policy goals or to measure agency achievement. She stated the current budget did achieve meeting goals and objectives set forth by City requirements. She stated performance information was included in the budget presented to the City, but that the document did not provide access to all the SFPUC activities that exist.

To achieve the goal, Ms. Martel stated the internal BTF recommended utilizing the awards criteria from the Government Finance Officers Association, noting the criteria had been provided to the Commission. She stated the process was based on developing a budget document that addressed a number of different criteria: budget as policy document, as financial plan, as operations guide, and as a communications tool. She stated most municipalities utilized this framework and that it would help develop a budget document that would achieve the goals and objectives articulated during the budget process. She stated the framework would establish an annual work program, allow for collection of information to address SFPUC's reporting requirements, and develop new data for use in the City-wide performance analysis for annual efficiency plans.

She stated a proposed budget process calendar was included in the documents. She stated the calendar included sessions for staff to interface with the Commission on policy-related items and for the Commission to express its priorities. She stated she understood from the Commission's comments there was a desire to engage more fully in policy discussion and determine where the priorities in the budget should be based.

Ms. Martel stated it was proposed to start the budget process in early September. She stated the process would begin with input-gathering meetings, followed by the internal budget preparation process later in the fall, resulting in the budget document presented to the Commission in early 2005. She stated the document should reflect the Commission's direction and be easier to review. She stated during the early meetings the Commission could discuss with staff the outcome of the prior year's budget and performance measures, updating necessary financial policies, establishing non-financial goals and objectives, discussing new regulatory requirements, discussing new legislative issues related to the budget, and reviewing the capital priorities in developing the budget.

Ms. Martel stated the Commission had discussed the need for the input of external stakeholders in the budget process. She stated the BTF recommended there be some meetings with SFPUC wholesale

customers and others involved in budget items, such as the Clean Water Master Plan and other activities. She stated input from external stakeholders would be incorporated into the information presented to the Commission during the policy review process. Ms. Martel concluded her overview stating she would accept recommendations from the Commission in regard to the process set forth.

Commissioner Werbach stated he had a number of questions but would hold them to a later time recognizing the public was present to speak.

President Normandy stated it was an excellent start to an ongoing process. He stated the model was a good one and that starting the process earlier, rather than during the constricted time frame of January, would provide a year-round perspective, which was an advantage. He thanked Ms. Martel and the BTF.

b) Flooding Update

Ms. Martel apprised the Commission that SFPUC had meetings with other City departments regarding the February 25th flood. She stated some meetings had been coordinated by the Mayor's Office with DPW, DPH, SFPD and SFFD and that SFPUC and DPW had initiated meetings between themselves. She stated the meetings focused on identifying how the flooding occurred, what measures were taken during the disaster, what measures could be taken for the short-term to address the known causes, and the focus of future work.

Ms. Martel stated the presentation by Mr. Tom Franza, Manager of WPC, would address the issues. She took a moment to make clarifications about the preparation of the report. Responding to public comments, she stated that SFPUC staff was working in an effort to compile information for the CAO related to claims, noting Mr. Andrew Lee, SFPUC engineer, was directed to gather information as requested by Commissioner Caen. She stated she understood from discussions with Mr. Lee that he identified himself as an SFPUC staff person to all the property owners he visited and stated he was collecting facts in response to a Commission request for a report and that he was also asked by the CAO to provide the information for their use. She stated the report was the result of Mr. Lee's fact-finding efforts and was designed as a means to develop a work plan for the SFPUC to address the issues that had come forth in Commission meetings since the February 25th flooding. She noted items in the presentation were potential future claims.

Mr. Franza stated at the March 9 meeting, the Commission requested lists of the areas flooded on February 25, the factors contributing to the flooding, and recommendations to reduce future

flooding. He acknowledged the work of Mr. Lee and the many people from several departments who contributed in the effort to develop the lists.

Mr. Franza stated the immediate actions being undertaken were to allocate reserve funds in the Repair & Replacemeny (R&R) program to replace selected sewers and increase Sewer Operations budget to clean sewers identified as in need. He commented that the R&R program was an ongoing program in existence for years to replace broken and undersized sewers.

Mr. Franza stated the work plan contained Scope A and Scope B. He stated Scope A involved three tasks: 1) developing a table of flooded locations, the contributing factors, and the recommendations to fix the problems, 2) hydraulically model sewers, and 3) develop long-term recommendations. He stated Scope B involved assessing and improving the emergency response for the future. He stated ongoing meetings had been happening with OES, SFPD and SFFD and would continue in order to organize for future emergencies.

Mr. Franza detailed Scope A, stating Task 1 would involve: 1) developing a list of flooded areas, 2) conducting field visits and interviews, 3) reviewing previous studies and analyses of the sewer system, and 4) developing a preliminary table with flooded areas, factors contributing to the flooding, and short- and long-term recommendations. He stated Task 2 would help with the answers to the problems by gathering additional data, focusing the modeling on areas of severe flooding, versus City-wide modeling, and refining the list of factors contributing to the flooding to know what to fix. Mr. Franza noted the modeling work would dovetail with the future Clean Water Master Plan (CWMP). He stated Task 3 would: 1) develop alternatives for sewer piping improvements to reduce flooding, 2) develop alternatives for surface improvements, permit guidelines, and land-use to reduce flooding, and 3) develop recommendations for Commission approval on best integration between flooding improvements and CWMP. Mr. Franza expanded on the third item stating he viewed it as a proposal to the Commission and how they would want the integration to work, suggesting some long-term alternatives be done as separate capital work from the CWMP, possibly preceding the CWMP.

Mr. Franza detailed Scope B, stating it involved: 1) on-going meetings with City agencies to assess the emergency response on February 25 and define the areas of improvement, 2) establishing a flood response improvement plan (i.e., flood hotline, customer service training and accountability, organizational improvements), and 3) defining interagency mutual aid responsibilities during emergencies. He noted individual departments worked hard to address the flooding, but there was lack of organization. He presented an organization chart related to flooding and drainage,

which included the R&R program, DPW's hydraulic modeling, sewer operations, emergency response, and the CWMP group. He stated it was important all the groups were working toward the same end and coming up with solutions to flooding issues.

Mr. Franza summarized the immediate action was to increase/reallocate funds to the R&R program to begin cleaning and replacing selected sewers. He stated the on-going efforts would be preliminary assessment of flooded locations, probable contributing factors, and short-term alternatives as well as updating the Commission on emergency response evaluation and improvements. He stated hydraulic modeling took time and hoped by Winter 2004 to have a refined list of factors contributing to flooding. He stated when the models were complete, recommendations for future improvements could be presented to the Commission. He saw the effort as one in conjunction with the CWMP. He provided the phone number of 554-3900 to anyone with questions regarding claims.

President Normandy asked which office was handling claims. Mr. Franza responded it was the CAO.

Commissioner Caen asked if the same thing caused all the flooding. Mr. Franza responded in the negative.

Commissioner Caen asked if it was the sewer. Mr. Franza stated there were various factors. He stated he presented a slide at a previous meeting with six different reasons why things flood, such as pipe size and cleanliness, street surface conditions, curb heights, sidewalks slope, etc. He stated the objective of the assessment was to figure out what caused the flooding and how to solve the problem.

Commissioner Caen asked if larger sewers would be put in the R&R program. Mr. Franza stated the R&R had a list of sewers with known problems and there were many that were undersized. He stated the focus and funding for the last 10-12 years of the R&R had been for broken sewers, many of which had no funding. He stated, historically, the policy point of view was to fix the broken sewers first because they present the biggest problem in terms of health risks with sewage flooding and collapsing streets. He stated he had asked the R&R to examine where the flooding had happened and see if there was a correlation between the areas and known undersized sewers. He clarified the sewer system was designed to meet a five-year storm criteria. He stated the R&R could do short-term quick fixes of putting larger-diameter sewer pipes in areas that would help a local area of a few blocks for the small storms. He stated sewer cleaning would also help. He stated the long-term effort would be a capital effort as it was outside the scope of R&R and would involve decisions such as consideration of a different standard than the current five-year standard. He stated modeling to be done in the

next months would look at the sites of large flooding and what it would look like to design a 10-, 25- or 50-year storm. He noted the fixes he was talking about were to meet the City's five-year standard using available resources.

President Normandy asked if significant progress on analyses and the scope of work would be made by the fall. Mr. Franza stated most of the modeling would be done by September. As related to cleaning, he stated contracts were going out presently, and that sewers with significant sediments should be cleaned by the end of August.

President Normandy asked if sediment cleaning was a post-flood process. Mr. Franza stated as a result of Mr. Lee's site visits and interviews, the sewer operations crews went into the sewers checking for sediment and anything unusual. He stated sediment was found in some of the sewers and made the sewers smaller, therefore less capable of handling flooding. He stated cleaning sediment was a quick fix, but required getting contracts out and contractors on the job.

President Normandy asked if the analyses were considering the March 25 flooding as well as the smaller February 25 storm. Mr. Franza answered affirmatively.

President Normandy called for public comment.

Public Comment:

Ms. Belfor stated she wanted answers to questions. When would the sewer repair make the sewers bigger? When was the quick fix expected to happen? She stated she wanted the issue of sloping sidewalks to be addressed by Mr. Franza. When would it be implemented and in place? What was the long-term? When was it expected to happen? She stated she was pressing the point because she and other people were not able to live in their homes at this time. She stated when she spoke to someone from the SFPUC about looking at her home, it was suggested she use sandbags. She felt this was not relevant to her situation as she was unable to live in her house. She stated she could not afford to wait until next September for something to get done. She asked that the group be addressed in writing.

President Normandy responded that her comments were being taken into account and the Commission had asked staff to speed up the process.

Ms. Martin stated she appreciated being given time by the Commission. She stated she had experienced many difficulties living without a home and office. She stated she thought there was a

difference between Mr. Franza's report on paper than the reality she was living. She noted she was videotaping the meeting because of City Hall technical failures during past meetings and that she wanted an accurate record for herself.

Ms. Martin acknowledged Mr. Lee and his work, commenting she did not understand he was investigating on behalf of the CAO and had not noticed CAO letterhead. She commented that she had been giving out information freely and had no qualms that the CAO also received it. She stated she did not want to take an adversarial position with the SFPUC and did not want it to become a class action. She stated she submitted a claim, but had difficulty formulating a number because of living in a hotel for a month and was currently renting an apartment and had no office and was not working. She stated she could not tabulate her loss until it was over. She stated February 25th was still happening as her house was undergoing clean-up. She was anxious about predicted rain and wondered how much more her loss would increase—would it be $40,000 rather than the $30,000 stated in the video.

Ms. Martin stated she would like to have a point person for continued communication. She stated she was hopeful that the OES would provide a point person. She thanked Ms. Martel for her efforts and hoped her successor would continue the line of communication. She stated the questions were in writing because it would be helpful to receive answers and communicate in writing. She stated she was doing what she could on behalf of her neighborhood and questioned how communication would ensue. Ms. Martin requested a copy of the 30-year plan presented at the March 9 meeting and also a copy of Mr. Franza's presentation from today's meeting to provide at community meetings.

President Normandy stated discussion in open meetings was public record and Mr. Franza's information would be available to disseminate.

Ms. Martel stated all documents presented during meetings were available to the public through the SFPUC Communications Division.

Ms. Camille Cutino, San Francisco resident at 308 Shotwell, stated that many of the neighbors wanted to but were unable to attend the meeting. She thanked Mr. Franza and other staff for their efforts. She stated she lived in a three-unit condominium constructed in 1998. She stated she believed it met all of the building code regulations that were in effect at that time. She stated her garage, including her car and all she had in storage in the garage, were flooded by 2.5 feet of water. She stated she had not made a claim yet because her focus had been to put energy into making some change so that flooding would not happen again. She asked that resources be allocated to the urgent situation and that the situation

be given priority.

Ms. Sheila Sharu, San Francisco resident at 352 Shotwell Street, stated she was in attendance with neighbors and on behalf of neighbors in a four-block radius. She stated hundreds of people had been affected and that it was imminent that it be dealt with. She stated they could not wait until the fall or even until next week. She stated they needed someone to come out and tell them how it was going to be fixed. She stated how frustrating it was to be flooded in December, February, and March. Ms. Sharu invited everyone present to come to their homes to see the evidence of houses and cars filled with bacteria that is dangerous and lethal. She stated she did not want to be told in a week, but rather wanted to be told now what was going to be done. She also requested that a point person be designated to provide information. She stated she had filed two claims for December and February and did not want to file any more. She stated the neighborhood's position was not to be adversarial against the City but to solve the problem.

Commissioner Werbach stated Ms.Sharu asked a reasonable question and asked if Ms. Martel could respond. Ms. Martel stated SFPUC's plan was outlined in Mr. Franza's presentation. She stated she understood the situation as she had done site visits to homes and areas across the City affected by the flood. She stated a great deal of information had been collected in the last few weeks regarding the causes of the flooding and solutions had been developed for the short and long term. She stated the CWMP would address a long-term solution for the entire system. She stated SFPUC and DPW were working together because of shared responsibility of the sewer issue. She stated available funding was being sought as WPC had been operating under the rate freeze and resources were limited. Ms. Martel stated the system was currently being flushed to remove sediment. She stated short-term fixes could be done in the work plan timeline, but the long-term fixes required time for the designing process. She noted not all needs could be addressed at the same time due to the impact on City streets. She stated there was an extensive list of repairs that had been provided to the Commission. She stated SFPUC needed to work from Mr. Lee's collected information and prioritize the projects in terms of need and funding. She noted it was complex and there was no single or simple solution. She stated the presentation demonstrated that extensive work had been done and the work plan was in place to make improvements. She summarized that the efforts were the beginning of a long-term program that SFPUC, DPW and other City departments were collectively working on to address emergency response needs.

Commissioner Werbach asked if Ms. Martel could address Ms. Sharu's and Ms. Martin's request about a point person from the staff on the issue. Ms. Martel stated she was ultimately the person

responsible for making the work plan happen, as would whomever took over her position. She stated Mr. Franza was responsible for oversight of the sewer operations and the technical aspects. She noted Ms. Cheryl Davis, Acting General Manager for Operations, had also been involved, but that Mr. Franza was the person who could come out to sites and directly look at issues related to the sewers.

Ms. Sharu asked if Mr. Lee's report would be available to the neighbors as it had been requested by the Commission, not the CAO. Ms. Martel stated Mr. Lee's report was available. President Normandy clarified the report the Commission received was not specific to any address as it was a "big picture" report about needs in specific areas and did not contain information about individual residences.

Ms. Sharu clarified that her request was for Mr. Lee's investigative notes based on the investigation he did at the request of the Commission, and asked if it was available. President Normandy deferred to Ms. Martel and legal counsel.

Ms. Vicki Clayton, SFPUC Legal Counsel, stated that Mr. Lee's report done on behalf of the SFPUC would be made available to her. She noted the information he collected at the instruction of the CAO would not immediately be available, but might be made available later. She stated data was being collected and would remain confidential until further notice.

Ms. Sharu stated she understood whatever information Mr. Lee collected at the request of the SFPUC would be available to the public and immediately. She stated she had not personally spoken with Mr. Lee, but understood from others who had, that they were not aware he was making inquiries at the CAO's request. She stated she thought there would be an issue as to privilege, as the public would be seeking his investigative notes for the claims process or some possible subsequent action to come to resolution. Ms. Clayton stated she understood.

Ms. Kollmann stated she was not made aware that there were separate issues and that some were going to the CAO and some were going to SFPUC. She stated Mr. Lee came to her house and was writing on CAO letterhead. She stated she asked him why he was writing on CAO letterhead. She asked how the matter was being separated. Ms. Clayton stated she was not involved in giving Mr. Lee his instructions and could not speak to that. She stated the general report Mr. Lee created for SFPUC, which was given to the Commission today, was available to her. She stated the individual specific reports Mr. Lee did on behalf of the CAO were not immediately available.

Ms. Kollman stated no one really knew what the reports were about

and asked if they had a right to know. She stated it was not clear to her what was being done. Ms. Clayton responded that the information created under the attorney-client privilege was not available to her at this time.

Ms. Kollman stated Ms. Martel had stated there were hydraulically inadequate pipes all over the City and that she found it hard to believe that this year was the first time there were problems. She shared that she installed a backflow preventer onto the front of her house to stop sewer water from coming in but that it stopped water from flowing out from her house during a storm. She stated though illegal, she had detached the gutter pipes from her house in an effort to stop dangerous sewage from flooding her home. She stated the one positive step was that sandbags were delivered to her house to prevent further damage. She urged the City to fix the problem, reiterating that she was not just flooded on February 25, but on December 10, December 14, and December 29. She shared that she spent $9,000 to abate the mold in her home in an effort to provide a safe environment for her two children and elderly mother. She stated she had been informed many times what she could do to repair her house problems but that she was not willing to do so until the City fixed its problems. She stated if it was known San Francisco had hydraulically inadequate pipes and that there was inadequate funding and a sewer rate freeze, why it had not been taken to the voters to lift the freeze.

Mr. Alex Lantsberg, Chair of the Alliance for a Clean Waterfront, stated he was concerned about the work plan presented by Mr. Franza and SFPUC's plan to build more pipes. He stated the fundamental problem was not hydraulically inadequate pipes. He stated the problem was there was too much pavement and too much water getting into the system too fast. He stated if the pipes were expanded, the problem would shift to other neighborhoods with hydraulically inadequate pipes. He offered that the first and cheapest thing the City should do is look for nonstructural solutions above ground. He stated this meant strategic de-paving, creating infiltration and detention basins, and seeking ways to keep water out of the system. He stated it was not a matter of the pipes not being able to handle water; it was that the pipes could not handle water coming in too fast. He stated the City had a Technical Advisory Committee (TAC) comprised of experts in wastewater and storm water management that had the ability to ascertain immediate low-cost fixes that could be useful for the next rainstorm. Mr. Lanstberg advocated for TAC to be involved and to propose some immediate solutions.

Mr. Emeric Kalman, San Francisco resident, spoke to the fact that the sewer system was once controlled and administered by DPW and was transferred to SFPUC. He stated to his knowledge, mapping of the underground infrastructure was missing or incomplete. He

suggested that mapping of the system be done before proceeding with Scope A. He stated once that was done, modeling could be done. He stated it was a public safety and health issue that needed to be addressed immediately and asked if there was any mapping.

Commissioner Caen was excused at 4:33 P.M.

Mr. Franza responded that the 900-mile sewer system was well-mapped and it was well known where the pipes were and how big they were. He stated what would be looked at was how to improve drainage.

Mr. Kalman stated overdevelopment of the City was related to the same issue, giving the example of permits being issued for new apartments and buildings by the Planning Department and asked who was being responsible for considering the impact this would have on the sewage system.

President Normandy stated Mr. Kalman's statements pointed to the fact of the complexity of the situation. He stated the Commission was committed to fixing the problem as quickly as possible, but did not support doing it in a rush and creating other problems. He acknowledged that Supervisor Gerardo Sandoval and the Board of Supervisors were holding hearings related to the matter. He stated the Commission would wait on implementation of long-term fixes until it could incorporate BOS direction, but would move quickly on immediate needs.

Commissioner Caen returned at 4:38 P.M.

15. Public Comments on matters not on today's agenda.

Mr. John Plummer, Friends of Lake Merced (FLM), spoke to an organizational issue, stating FLM was happy that Ms. Julie Labonte, former CWMP Director, was recognized at the highest level, but that her presence would be missed on the CWMP. He stated the CWMP was extremely important and asked if reallocation of her efforts could be reconsidered. He stated if not, FLM was urging the Commission to take steps to assure that the momentum for the CWMP was not lost. His second point was to support Commissioner Werbach's suggestion that the Recycled Water Program be studied as a component of the CWMP as the FLM saw no convincing argument for separating the plans. He stated FLM wanted the programs integrated at the engineering level.

President Normandy stated his comments would be taken into account.

Mr. David Pilpel, San Francisco resident, shared several items. 1) He thanked the Commission for the frank discussion at the March 29

Special Meeting. 2) He stated he distributed an organization chart at that meeting and was working on a refined and new version of it to distribute as a tool to help the agency. 3) He urged the Commission to undertake a large search for the next general manager, noting suggestions had been made for a national search or appointing an acting or interim general manager. He encouraged the Commission to think carefully and openly about the qualifications for the position and the search process to find a good person for the position. He thanked Ms. Martel for her service to the City. 4) He stated he was interested in the results of BTF's meeting. He stated he would review the memo and provide comments to staff. 5) He shared there was discussion at the last RFB meeting regarding sewer rates and bringing the subject before the Commission. He urged staff to discuss sewer rates at the May 11 meeting and that the RFB present their recommendations to the Commission on May 25. He stated he was concerned that if adopting the rates got pushed into June, moving the adoption past July 1, it would result in a negative financial impact.

CONSENT CALENDAR

President Normandy announced that Item 16b was pulled from the Consent Calendar.

Commissioner Werbach requested to remove Item 16d from the Consent Calendar for further discussion as an item on the Regular Calendar at the next regularly scheduled meeting.

16. Moved by Commissioner Caen, seconded by Commissioner Werbach, to adopt the items (a and c) listed under the Consent Calendar, and to continue item 16d to the next regularly scheduled meeting on April 27, 2004; passed (4-0) unanimously.

a) Resolution No.04-0051: Award Contract No. WD-2364, Pine Street 8-Inch Ductile Iron Main Installation, in the amount of $1,267,152 to J. Flores Construction.

b) Staff Recommendation: Award Contract No. WD-2390, Ingoing Road Repair Near Five-Points, in the amount of $443,888, to Granite Rock Company.

c) Resolution No. 04-0052: Award Agreement No. CS-728, a professional services agreement, to OPAC Consulting Engineers, to provide specialized work for Inspection, Testing, Site-Specific Geotechnical and Biological Services for Bay Division Pipeline Nos. 1 & 2 – Repair of Caisson and Dumbarton Pipeline Bridge, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement with OPAC Consulting Engineers for an amount not to exceed $850,000, and with a duration of 30 months.

d) Staff Recommendation: Approve Amendment No. 1 to Agreement No. CS-694, Enterprise Risk Management, with R. W. Beck, Inc. to extend effective date from May 7, 2004 to April 30, 2005 to complete task orders, and authorize the General Manager of Public Utilities to execute this amendment accordingly.

REGULAR CALENDAR

17. Discussion and possible action related to a California Energy Commission loan.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0053: Request the Board of Supervisors to accept and expend a loan of $1,622,940 from the California Energy Commission for a 229-kilowatt photovoltaic project and energy-efficiency measures at Southeast Water Pollution Control Plant. The authority for this project was provided by Proposition H-Solar Bond Initiative, approved by voters in November 2001. In addition, authorize the General Manager of Pubic Utilities to execute the required grant documents.

18. Discussion and possible action related to a Memorandum of Understanding with Lennar/BVHP.

President Normandy asked Mr. Smeloff if he would like to continue Item 18 to the next meeting in order for Lennar to be present for the presentation and action. Mr. Smeloff agreed to continuing the item, stating Lennar would like to be present. He stated the project was a collaborative one involving the City's Redevelopment Agency, the Mayor's Office of Economic Development, and the U.S. Department of Energy, which funded the study. President Normandy stated the project was important and deserved full attention of the Commission.

Moved by Vice President Costello, seconded by Commissioner Werbach, to continue Item 18 to the next regularly scheduled meeting on April 27, 2004; passed (4-0) unanimously.

Staff Recommendation: Request approval of a Memorandum of Understanding (MOU) between the SFPUC and Lennar/BVHP on the "greening" of the conversion of the Hunters Point Naval Shipyard to residential and commercial use and authorize the General Manager of Public Utilities to execute the MOU.

President Normandy called Items 19 and 20 together.

19. Discussion and possible action related to water supply planning

with the Santa Clara Valley Water District.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0054: Authorize the General Manager of Pubic Utilities to sign a Memorandum of Understanding between the SFPUC and Santa Clara Valley Water District for coordination of water supply planning.

20. Discussion and possible action related to a Bay Area Integrated Regional Water Management Plan.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0055: Authorize the General Manager of Public Utilities to sign a Letter of Mutual Understanding for participating in the development of a nine-county Bay Area Integrated Regional Water Management Plan.

21. Discussion and possible action related to increasing the appropriation for the Security Project.

Moved by Commissioner Werbach, seconded by Commissioner Caen, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0056: Request that the SFPUC's FY 2004-2005 budget proposal for revenue–funded capital projects be amended to increase the annual appropriation for the Security Project from $2,000,000 to $2,890,907.

LEASES AND PERMITS

President Normandy called Items 22 and 23 together.

22. Discussion and possible action related to a permit with CS Bio, Inc.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0057: Authorize the General Manager of Public Utilities to execute a permit with CS Bio, Inc. to use approximately 7,600 square feet of SFPUC land located adjacent to 20 Kelly Court, near Willow Road and O'Brien Drive in Menlo Park, to park cars and trucks.

23. Discussion and possible action related to a permit with Pacific

Nurseries.

Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0058: Authorize the General Manager of Public Utilities to execute a permit with Pacific Nurseries to use approximately 2.74 acres of SFPUC land located adjacent to 465 Stierlin Road, near N. Shoreline Boulevard and Montecito Avenue, in Mountain View, to use as a nursery to store and cultivate plants.

PROFESSIONAL SERVICE CONTRACTS

Award

24. Discussion and possible action related to Agreement No. CS-746.

Moved by Commissioner Werbach, seconded by President Costello, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0059: Award Agreement No. CS-746, to Irvington Partners Joint Venture (BASELINE Environmental Consulting and Jones & Stokes) for Alameda Siphons/Irvington Tunnel Project Environmental Impact Report Services, to provide environmental analysis services for the SFPUC, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement with Irvington Partners Joint Venture for an amount not to exceed $1.2 million, and with a duration of 48 months.

25. Discussion and possible action related to Agreement No. CS-749.

Ms. Martel stated moving forward with the contract was important because it represented a critical milestone for the SFPUC's implementation of a public participation process for the CWMP. She stated it would serve as a model for the agency as well as for all City departments for major capital work.

President Normandy stated Public Affairs Management had previously done credible work for the SFPUC and applauded the effort.

Public comment:

Mr. Kalman stated he was outraged about the millions of dollars being wasted on approving the contract. He asked why the expenditure was necessary and why ratepayer money should be spent on such undertakings.

Ms. Martel responded that she appreciated Mr. Kalman's vigilance in

watching SFPUC's expenditures of ratepayer money. She stated she felt the money being spent on the public participation process for the CWMP was very important and was in support of the BOS's ballot measure to create a Citizens' Advisory Committee to be engaged in the review of SFPUC activities. She stated the contract would implement the process and would be the means for the Citizens' Advisory Committee to proceed. She acknowledged it was a substantial expenditure but that there would be benefits resulting from the public's involvement in the CWMP that would have value beyond the expense. She encouraged Mr. Kalman to attend the public meetings.

Mr. Kalman asked for the opportunity to respond. President Normandy suggested that he continue his dialogue with Ms. Martel outside the Commission meeting due to time constraints.

Moved by Commissioner Werbach, seconded by Commissioner Caen, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0060: Approve the selection of Public Affairs Management (PAM) and Alfred Williams Consultancy (AWC) Joint Venture, award a professional services agreement to provide assistance with the public participation process under Agreement No. CS-749, Clean Water Master Plan Public Participation Services, and authorize the General Manager of Public Utilities to negotiate and execute a professional services agreement with PAM/AWC Joint Venture for an amount not to exceed $2 million, and with a duration of thirty-six months from the date of the Notice to Proceed.

Amend

26. Discussion and possible action related to Agreement No. CS-524.

Moved by Vice President Costello, seconded by Commissioner Werbach, to adopt the following resolution; passed (4-0) unanimously.

Resolution No. 04-0061: Approve Amendment No. 3 to Agreement No. CS-524, Program Management Services, incorporating minor changes to the agreement language to conform to the auditor's recommendations and clarifying the terms of the agreement; approve Amendment No. 4, clarifying forms of compensation to conform to the auditor's recommendations; and forward both amendments and the resolution to the Board of Supervisors for informational purposes.

There being no further business to discuss, the meeting was adjourned at 5:03 P.M.

Mary Y. Jung

Secretary

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Commission

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Gavin Newsom
MAYOR

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AGENDA

REGULAR MEETING

April 27, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS
Water Department
City Distribution Division
Water Supply & Treatment
Hetch Hetchy Water & Power
Clean Water Program
Water Pollution Control

BUREAUS
Customer Services
Environmental Regulation & Management
Financial Services
Human Resource Services
Information Technology Services
Infrastructure Division
Real Estate Services
Strategic & Systems Planning
Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

For information, contact the Commission Secretary at 554-3165.
Agenda and other information are available on the SFPUC web site: www.sfwater.org.

Disability Access

The Public Utilities Commission meeting will be held in Room 400, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA. The Commission meeting room is wheelchair accessible. The closest accessible BART station is the Civic Center Station at United Nations Plaza and Market Street. Accessible MUNI lines serving this location are: #42 Downtown Loop, and #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro Stations at Van Ness and Market and at Civic Center. For information about MUNI accessible services call (415) 923-6142. There is accessible curbside parking adjacent to City Hall on Grove Street and Van Ness Avenue and in the vicinity of the Veterans Building at 401 Van Ness Avenue adjacent to Davies Hall and the War Memorial Complex.

The following services are available on request 48 hours prior to the meeting; except for Monday meetings, for which the deadline shall be 4:00 p.m. of the last business day of the preceding week: For American sign language interpreters or the use of a reader during a meeting, a sound enhancement system, and/or alternative formats of the agenda and minutes, please contact Mary Y. Jung at (415) 554-3165 or our TYY at (415) 554-3488 to make arrangements for the accommodation. Late requests will be honored, if possible.

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(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance or to report a violation of the ordinance, contact the Sunshine Ordinance Task Force, Donna Hall, Clerk, City Hall, Room 409, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4683 at Phone No.: (415) 554-7724; Fax No.: (415) 554-7854; E-mail: Donna.Hall@sfgov.org. Copies of the Sunshine Ordinance can be obtained from the Clerk of the Sunshine Task Force, the San Francisco Public Library and on the City's website at www.sfgov.org.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code §2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site at www.sfgov.org/ethics.

ORDER OF BUSINESS:

1. Call to Order

2. Roll Call

3. Approval of Minutes

4. Communications

5. Old/Ongoing Business by Commissioners

6. Introduction of New Business by Commissioners

7. Report of the General Manager

   a) Lake Merced Update (Bartow)

   b) Peaker Plant Siting Report (Labonte)

   c) Lion's Club Eyeglass Collection Report (Martel)

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

   a) BAWSCA Update (Jensen)

9. Public Comments

   Members of the public may address the Commission on matters that are within the Commission's jurisdiction and are not on today's agenda.

THE FOLLOWING MATTERS BEFORE THE PUBLIC UTILITIES COMMISSION ARE RECOMMENDED FOR ACTION AS STATED, BY THE GENERAL MANAGER OF PUBLIC UTILITIES AND CITY ATTORNEY WHERE APPLICABLE.

Explanatory documents that have been provided to the Commission in connection with this agenda are available for public inspection and copying at the office of the Commission Secretary, 1155 Market Street, 11th Floor, San Francisco, CA 94103, Telephone: (415) 554-3165, Fax: (415) 554-3424.

CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

    a) Staff Recommendation: Approve the rejection of all bids for Contract No. WD-2390 (Ingoing Road Slide Repair Near 5-Points), and authorize the General Manager of Public Utilities to re-advertise the contract as Contract No. WD-2390R, to receive and evaluate bids. The engineer's estimate is $860,000.

    b) Staff Recommendation: Accept work performed for Contract No. CW-294, 24th/Washburn Streets Sewer Replacement, approve Modification No. 1 (Final) decreasing the contract by $30,246.46, for a total contract amount of $204,303.54, and authorize final payment of $41,682.54 to JMB Construction, Inc.

REGULAR BUSINESS

11. Discussion and possible action related to funding photovoltaic systems. (Smeloff)

    Staff Recommendation: Request the General Manager of Public Utilities to work with the Board of Supervisors' Finance Committee to release $4,300,000 held in reserve in order to fund large-scale photovoltaic systems, such as the photovoltaic systems at Norcal's facilities at Pier 96 and Moscone West.

12. Discussion and possible action related to Memorandum of Understanding with Lennar/BVHP. (Smeloff)

    Staff Recommendation: Approve Memorandum of Understanding with Lennar/BVHP on the "greening" of the conversion of the Hunters Point Naval Shipyard to residential and commercial use.

13. Discussion and possible action related to a fund transfer for services of the Department of Telecommunications and Information Services and the Department of Public Works. (Loffeld)

Staff Recommendation: Approve a fund transfer in the amount of $128,488 to fund the services of Department of Telecommunications and Information Services and Department of Public Works.

14. Discussion and possible action related to adopting a Records Retention and Destruction Schedule. (Jung)

Staff Recommendation: Adopt a Records Retention and Destruction Schedule as mandated by the San Francisco Administrative Code Section 67.29.

LEASES AND PERMITS

15. Discussion and possible action related to a lease with Don Pearlman Joint Venture XI. (Dowd)

Staff Recommendation: Authorize the General Manager of Public Utilities to execute a lease with Don Pearlman Joint Venture XI, for approximately .57 acres of SFPUC land located on a portion of Parcel 144 of Bay Division Pipeline Nos. 3 and 4 right of way, Santa Clara, California, for parking and landscaping.

CONSTRUCTION CONTRACTS

Award

16. Discussion and possible action related to Contract No. WD-2349R. (Swanson)

Staff Recommendation: Award Contract No. WD-2349R, Thomas Shaft Water Supply Improvements, in the amount of $1,198,785 to Proven Management.

PROFESSIONAL SERVICE CONTRACTS

Amend

17. Discussion and possible action related to Agreement No. CS-694. (Mariani)

    Staff Recommendation: Approve Amendment No. 1 to Agreement No. CS-694, Enterprise Risk Management, with R. W. Beck, Inc. to extend the effective date from May 7, 2004 to April 30, 2005 to facilitate completing task orders, and authorize the General Manager of Public Utilities to execute this amendment accordingly.

18. Discussion and possible action related to Agreement No. CS-672 D. (Carlin)

    Staff Recommendation: Authorize the General Manager of Public Utilities to execute Amendment No. 2 to Agreement No. CS-672 D, the "Recycled Water Master Plan Update and Environmental Review" dated January 21, 2003, with ESA + Orion, a joint venture, to provide for a time extension of ten months from the date of Controller certification. The amount of the agreement will not increase and will remain at $733,000.

CLOSED SESSION

19. Public comments on matters to be discussed in Closed Session.

20. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

21. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

    Property: City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
    Parties Negotiating: Dowd/Lymburn
    Under Negotiation: Terms and conditions

22. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property:	City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

23. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property:	City of Mt. View, running between Whisman Rd., approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating:	Dowd/Lymburn
Under Negotiation:	Terms and conditions

24. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Property:	Balboa Reservoir property and Ocean and Phelan MOU between SFPUC and San Francisco City College
Parties Negotiating:	Dowd San Francisco City College
Under Negotiation:	Terms and Conditions

25. Public Employee Appointment/Hiring – Pursuant to Government Code Section 54957 and San Francisco Administrative Code Section 67.10(b):

Position:	General Manager, Public Utilities

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN PUBLIC SESSION.

26. Announcement following Closed Session.

27. Motion regarding whether to disclose the discussions during Closed Session.

ADJOURNMENT

City and County of San Francisco
Public Utilities Commission
1155 Market Street, 11th Floor
San Francisco, CA 94103

4/27/04 Minutes SFPUC Commission 07/14/2004

Gavin Newsom
MAYOR

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MINUTES

April 27, 2004
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place

COMMISSIONERS

The Honorable E. Dennis Normandy, President
The Honorable Robert J. Costello, Vice President
The Honorable Ann Moller Caen
The Honorable Adam Werbach
The Honorable Ryan L. Brooks

DEPARTMENTS	BUREAUS
Water Department	Customer Service
City Distribution Division	Environmental Regulation & Managemer
Water Supply & Treatment	
Hetch Hetchy Water & Power	Financial Services
Clean Water Program	Human Resource Services
Water Pollution Control	Information Technology Services
	Infrastructure Division
	Real Estate Services
	Strategic & Systems Planning
	Water Quality

Patricia E. Martel
GENERAL MANAGER

Mary Y. Jung
SECRETARY

ORDER OF BUSINESS:

1. Call to Order: 1:34 P.M.

2. Roll Call: Present – President E. Dennis Normandy, Vice President Robert J. Costello, , Commissioner Adam Werbach, Commissioner Ryan

L. Brooks

Commissioner Ann Moller Caen arrived at 2:26 P.M.

3. Approval of Minutes

There were no minutes to approve.

4. Communications

Commissioner Werbach commented on a letter received sent to the Commission from Public Citizen stating their concerns about the privatization of the SFPUC. Commissioner Werbach stated he wanted the record clear that the Commission was against privatization. President Normandy replied that privatization was an urban myth and was impossible because of the Raker Act, the City Charter, and various Federal and State laws.

5. Old/Ongoing Business by Commissioners

Commissioner Brooks requested an ongoing update on the Capital Improvement Program (CIP) to answer questions on whether or not the SFPUC was meeting the deadlines. President Normandy stated there was a consensus among the members that the CIP become a regular item on the General Manager's Report.

Ms. Patricia E. Martel, General Manager of Public Utilities, asked for clarification of the Commission's wishes, reminding them that a CIP update was already on the agenda once a month and a comprehensive review was also made quarterly. Commissioner Brooks replied he wanted the CIP on every Commission agenda. President Normandy concurred that the CIP schedule should be reported on at every meeting.

President Normandy noted a letter from a San Francisco resident, Mr. Steve Lawrence, which raised serious issues with the CIP. *He requested for a report on the issues Mr. Lawrence raised.*

Commissioner Werbach questioned whether or not there were outstanding policy issues that needed to be addressed by the Commission. President Normandy asked Commissioner Werbach to further explain his concerns. Commissioner Werbach expressed his frustration with the siting of the peaker plants being brought before the Commission at such a late date. He stated he felt that this late notice did not allow him to be involved at the policy level. Commissioner Werbach also stated he wanted the Commission to look at how the agenda was set for the meetings.

President Normandy replied no City Commission had a codex of all their policies and resolutions, but felt it was appropriate for the

SFPUC to lead the way. He then assigned Commissioners' Brooks and Werbach to the task of studying the agenda process and codexing the SFPUC's policies because they had the freshest eyes on the Commission.

Commissioner Brooks stated he did not think the Commissioners needed to understand the process as long as it was clear and that Commissioners were free to have input on the agenda, as the Commission President did. President Normandy stated the agenda was staff-driven and asked Commissioners Brooks and Werbach to work with staff on a process.

6. Introduction of New Business by Commissioners

Commissioner Werbach stated it was important to have the SFPUC meetings broadcast, especially with the rate hike issue coming up. Ms. Mary Jung, Commission Secretary, stated San Francisco Government Television (SFGTV) had limited capabilities on broadcasting and taping. She explained she had explored broadcasting late last year and was told broadcasting was not available to the SFPUC. She agreed to look into the issue again in time for the rate hearings.

7. Report of the General Manager

a) Lake Merced Update

Mr. Greg Bartow, Groundwater Manager, started with a review of Cal Trout Day, stating it was a large, successful public celebration of fishing at Lake Merced. He noted that Lake Merced was called the best urban fishing lake in the United States over 20 years ago. He stated about 200 children attended and were provided with enough equipment for several hours of fishing. He stated the event was supported by Cal Trout, the California Department of Fish & Game, the San Francisco Recreation & Park Department, the Olympic Club Foundation, the Buena Vista Foundation, the Lake Merced Task Force, Friends of Lake Merced, the Police Youth Fishing Program, Big Five Sporting Goods, and several neighborhood organizations. He stated it was remarkable that Cal Trout, who once petitioned the State Water Resource Control Board to take enforcement actions against San Francisco, was now co-sponsoring an event with the SFPUC.

Mr. Bartow stated this event would be remembered as the turning point for Lake Merced. He stated lake level ranges needed to be maintained over the next few years and a plan needed to be completed for long-range solutions for lake management. Mr. Bartow stated the City also needed to work with Daly City to prevent the regular flooding and erosion of Lake Merced by Daly City's storm water.

Mr. Bartow stated the Planning Department had circulated three reports: 1) the Updated West Side Basin Conceptualization Report, 2) an adaptive management monitoring plan, and 3) the final version of a baseline report.

Mr. Bartow reported SFPUC held a joint meeting with Daly City on the development of a groundwater basin model for the entire West Side Basin that extends from Golden Gate Park to San Francisco International Airport. He stated simulations would be run by the fall and that this would be a valuable tool for management of Lake Merced and the West Side Basin.

Vice President Costello stated he was at Cal Trout Day and it was a tribute to the SFPUC that the current lake level was reached eight or nine months ahead of schedule. He stated the event was also attended by Assemblyman Leland Yee and Supervisor Tony Hall.

President Normandy commended the General Manager and staff for their successful work. He urged SFPUC staff to make every effort to thank the people in the community who make these events a success and also to increase the number of outreach meetings and communications with the public. Vice President Costello stated Cal Trout did an outstanding job of recognizing all the groups involved with the project.

b) Peaker Plant Siting Report

Mr. Jesse Blout, Director of the Mayor's Office of Economic Development, referring to Commissioner Werbach's prior remarks, noted he was remiss in not coming before the Commission earlier to give a status update, and stated he was willing to come back as often as wanted or necessary.

He introduced Ms. Theresa Mueller and Ms. Jeanne Sole from the City Attorney's Office and Mr. Barry Flynn, a consultant on reliability and transmission issues.

Mr. Blout explained the Peaker Project (PP) was an outgrowth of the Electricity Resource Plan (ERP), which established overall policy goals to be used in the development of new electricity resources. Along with focusing on renewables and efficiency, he stated it also discussed developing smaller, cleaner, more nimble, fossil-based generation. He stated combustion turbines were identified as a means for achieving the goals of the ERP.

Mr. Blout explained the Combustion Turbine (CT) project was intended to support the goals of the ERP by ensuring reliable power, improving air quality, and preventing other negative environmental impacts. He stated the project would also shut down the Hunters Point Power Plant (HPPP) and would increase local control over

electricity resources.

Mr. Blout further explained the City owns four CTs through a settlement with the Williams Corporation, which included $13 million in predevelopment funds to develop the resources. He stated three of the CTs would be located in San Francisco and would allow for closure of Units 1 and 4 at the HPPP. He stated this would also render the Mirant application for Unit 7 unfeasible. He stated the fourth CT was proposed to be located at the San Francisco International Airport (SFO) and an MOU was being negotiated.

Mr. Blout noted there were many months of public outreach, but that a better job could have been done on the siting issues. He stated that additional outreach would be conducted over the next few months with the residents from Potrero Hill, the Bayview, and the rest of the City.

Mr. Blout next addressed the question of why the Mayor's Office was suddenly involved in the project. He explained the Mayor felt the project was important and had City-wide implications and involved the coordination of many departments. He stated the SFPUC would play a critical role in approving most of the legal agreements that needed to be made such as land acquisition, interconnection agreements, acquisition of emission reduction credits, consulting contracts, Environmental Impact Report (EIR) oversight, and project financing approval.

Ms. Julie Labonte, Program Manager, stated the power purchase agreement with the California Department of Water Resources included three milestones that must be complied with: 1) Site control by May 1, 2) Engineering Procurement and Construction Contract in place by February 2005, and 3) Four turbines operational by Spring 2006.

Ms. Labonte explained the siting process would include numerous opportunities for public input and participation, where the public would be able to attend a site visit, workshops, and informational presentations. She stated several formal evidentiary hearings involving public testimony would also be conducted.

Ms. Labonte reported the May 1 siting milestone was met the previous week. She stated the Mayor's Office would negotiate an agreement with Mirant for the purchase of the 4.5-acre site at the Potrero Power Plant and that an MOU with SFO for a 2-acre parcel was being finalized. Ms. Labonte stated she expected to come before the Commission at the first May meeting regarding siting the CTs.

Commissioner Werbach voiced his displeasure that the siting decision would be made within a week and the Commission just received the information. He noted the problem went back to his

earlier comments regarding the agenda process. He asked the ISO consultant to explain why all four CTs could not be sited at SFO and what it would take to shut down HPPP.

Mr. Barry Flynn, Flynn RCI Consultant, replied there were no formal agreements with the California ISO, but there were some letters of commitment to shut down the HPPP. He stated the ISO Board staff also recently prepared a document detailing the conditions needed to allow closure of HPPP. Mr. Flynn stated the agreement between the ISO and PG&E would have to be terminated for HPPP to close. He stated proof had to be given that PG&E was not needed for reliability purposes.

Ms. Theresa Mueller, Deputy City Attorney, stated the process was new to the City Attorney's Office, but there was a commitment from the ISO to terminate the agreements voluntarily and automatically. She stated there were also political and legal avenues to pursue if needed. She stated the ISO had been amenable to the desires of the community and City and had worked well so far with the City.

Commissioner Werbach asked if there was a written commitment to shut down HPPP. Ms. Mueller stated there were letters from the ISO laying out the conditions for closing HPPP. Mr. Blout stepped forward to add that the Mayor and Supervisor Sophie Maxwell had been in direct contact with the President of the ISO.

Commissioner Caen arrived at 2:26 P.M.

Commissioner Werbach asked if siting the CTs would shut down HPPP and if the CTs needed to be on Potrero, or if they could be located elsewhere. Mr. Blout answered the problem lies with the transmission lines.

Mr. Blout suggested the SFPUC direct staff to ask the ISO to go on record in a clearly defined statement about their intentions. Commissioner Werbach agreed and again stated his discomfort about his lack of involvement in the siting of the CTs. Mr. Blout assured him that option agreements would be coming before the SFPUC and did not obligate the City to purchase the Mirant site.

Commissioner Brooks stated he was familiar with Mr. Blout's work and was comfortable with the expeditious movement of this project. He stated he was interested in more public outreach and that there must be buy-in from the community for the project to be a success. Mr. Blout replied an extensive community outreach program was being developed.

Commissioner Werbach asked if the other siting options ever came up for review before the Commission. Mr. Blout replied negatively. Commissioner Werbach stated he wanted to be a part of the

decision-making process for this and was uncomfortable making a decision at this point. Mr. Blout stated these actions were done before Commissioner Werbach was appointed to the Commission. Commissioner Werbach asked that a member of the Commission be present during the conversations with the ISO. President Normandy stated it was not appropriate for Commissioners to intrude on operations.

Mr. Blout stated there was a mandated deadline for site control. He stated a term sheet would need to be signed with Mirant for site acquisition, but it was not binding until the Commission approved it. Mr. Blout offered to bring the term sheet to the Commission when it was available and also to walk the Commission through some of the alternatives and the thinking behind it. President Normandy stated this would be welcome information.

Mr. Smeloff, Assistant General Manager of Power Policy, Planning & Resource Development, stated the Board of Supervisors appointed an advisory committee on power plant siting, the Potrero Power Plant Task Force, in the Southeast part of the City. He explained the task force met monthly to review the progress the City was making and looking at alternative sites. He stated the task force was well aware of the sites being considered and their conclusion was to go with the Potrero site. He stated the Portrero Power Plant Task Force asked for a number of conditions, including an aggressive community benefits package and a local mitigation package.

Mr. Smeloff offered to hand out the resolution passed by the Task Force and President Normandy asked that the resolution be made part of the permanent record for the meeting.

President Normandy summarized the discussion, noting the Mayor's Office had taken a leadership role on this project because of the need to coordinate all the agencies involved. He noted the Commission would be remiss if it made decisions without adequate information and stated he looked to the Mayor's staff and SFPUC staff to ensure the proper information was available.

c) Lion's Club Eyeglass Collection Report

Ms. Connie Smith, SFPUC employee and President of the Ocean Ingleside Lion's Club, thanked the SFPUC for its outstanding participation in the Lion's Club drive to prevent blindness and assist in preserving vision through the "Recycle for Sight Program." The program kicked off on February 23 and over 60 pounds of eyeglasses were eventually donated. She stated the eyeglasses were sent to ten recycling centers for cleaning, prescription determination, and distribution to areas around the world where prescription eyeglasses were unaffordable and inaccessible. She thanked those who made donations and also thanked the General

Manager, Chief of Staff Paula Kehoe, and SFPUC Communications staff Paul Murillo, Sam Murray, and Everett Brandon.

8. Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report

a) BAWSCA Update

Mr. Art Jensen, General Manager of BAWSCA, stated the SFPUC had policy binders about 8-9 years ago and these should be the starting point for the work that Commissioners' Brooks and Werbach were about to undertake.

Mr. Jensen addressed the concerns some members of the public had with chloramines. He recommended using a handout from the San Francisco Department of Public Health that was reader-friendly. Mr. Jensen stated BAWSCA would be writing letters to the Health Departments in the three counties served by BAWSCA, asking for specific citations of scientific documents that support the chloramine concerns.

Commissioner Brooks asked if the Environmental Protection Agency regulated the types of chemicals that could be put in water. Mr. Jensen responded in the affirmative. Commissioner Brooks asked if there were any alternatives other than chlorine and chloramines. Mr. Jensen stated he was not familiar with the alternatives.

Ms. Martel stated SFPUC staff started outreach a year ago and did extensive research among the Bay Area agencies that were already using chloramines disinfection to determine their experience, how they dealt with it, and how they provided outreach to customers who could be considered sensitive users. She stated SFPUC's outreach program was modeled on the research. She stated she asked Mr. Andrew DeGraca, Manager of the Water Quality Bureau, to do more extensive research in this area. She affirmed the SFPUC was being proactive in providing information to the public.

President Normandy asked the Commissioners if they desired coordinating chloramines research and outreach with Mr. Jensen and the BAWSCA staff. The Commissioners agreed to this.

Commissioner Werbach asked Mr. Jensen to share the concerns of the BAWSCA Board Members regarding the progress of the CIP. Mr. Jensen replied he shared information from the March 29 Special Meeting about the Brown & Caldwell Report and his concerns about the changes in SFPUC management to the BAWSCA Board. He stated the Board shared the same concerns.

9. Public Comments on matters not on today's agenda.

Mr. Ali Altaha, Arab Chamber of Commerce (ACC), stated ACC had been discussing certain issues with the SFPUC for five years and had seen little progress. He stated social justice was important and that the SFPUC had failed in the areas of hiring, consultant selection process, and informal contracts for construction and commodities. He suggested the SFPUC study the Metropolitan Water District in Los Angeles as an example of a large agency that does well with social justice issues.

Mr. David Pilpel, San Francisco resident, stated he was currently working on an organization chart for the SFPUC. He commended the Rate Fairness Board on the work they were doing and was looking forward to their final report. He also volunteered to work with the Commission Secretary to get the SFPUC meetings broadcast.

CONSENT CALENDAR

10. Moved by Commissioner Caen, seconded by Vice President Costello, to adopt the items (a-b) listed under the Consent Calendar; passed (5-0) unanimously.

a) Resolution No. 04-0062: Approve the rejection of all bids for Contract No. WD-2390 (Ingoing Road Slide Repair Near 5-Points), and authorize the General Manager of Public Utilities to re-advertise the contract as Contract No. WD-2390R, to receive and evaluate bids. The engineer's estimate was $860,000.

b) Resolution No. 04-0063: Accept work performed for Contract No. CW-294, 24th/Washburn Streets Sewer Replacement, approve Modification No. 1 (Final) decreasing the contract by $30,246.46, for a total contract amount of $204,303.54, and authorize final payment of $41,682.54 to JMB Construction, Inc.

REGULAR CALENDAR

11. Discussion and possible action related to funding photovoltaic systems.

Moved by Commissioner Werbach, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04 0064: Request the General Manager of Public Utilities to work with the Board of Supervisors' Finance Committee to release $4,300,000 held in reserve in order to fund large-scale photovoltaic systems, such as the photovoltaic systems at Norcal's facilities at Pier 96 and Moscone West.

12. Discussion and possible action related to Memorandum of Understanding with Lennar/BVHP.

Mr. Smeloff stated the agenda item provided a framework for the greening of the conversion of the Hunters Point Naval Shipyard. He stated The Mayor's Office of Economic Development and the Redevelopment Agency encouraged the SFPUC to meet with Lennar to leverage additional technical resources for energy efficiency design, fuel switching, and solar panel installation.

Mr. Smeloff acknowledged the contributions of the Building America Program (U.S. Department of Energy), Mr. Paul Johnson, Mr. Michael Hodgson from Console, and Mr. Larry Florin, Vice President of Lennar.

Mr. Fred Schwartz, Manager for Advanced Renewable Technologies, explained there were 500 acres on the San Francisco waterfront that were being developed and would need electricity, natural gas, and energy. He stated 1,600 residences were being planned and the utility resources available were inadequate. He explained energy goals for the redevelopment would be a model of distributed generation and energy efficiency. Mr. Schwartz listed some examples for energy efficiency that would not contribute to the peak in San Francisco: extra insulation, tighter ducts, hydraulic heating, better windows, more efficient lighting, energy efficient appliances, and rooftop solar panels. He explained all the energy efficiencies would benefit the homeowner in terms of monetary savings. He noted that heating and cooling expenses would be about 48% less than what the charge would be under the standard system. Mr. Schwartz stated the energy efficiency measures equaled approximately $1,600 per unit.

President Normandy congratulated staff for the groundbreaking work. Commissioner Werbach stated the plan was exciting and could be a national model.

Mr. Florin thanked the Commission and staff and stated it was a pleasure to work with the SFPUC. He noted Commissioner Brooks had a long history with the project and could provide more information.

Moved by Vice President Costello, seconded by Commissioner Caen, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0065: Approve Memorandum of Understanding with Lennar/BVHP on the "greening" of the conversion of the Hunters Point Naval Shipyard to residential and commercial use.

13. Discussion and possible action related to a fund transfer for services of the Department of Telecommunications and Information Services and the Department of Public Works.

Moved by Commissioner Brooks, seconded by Commissioner Caen,

to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0066: Approve a fund transfer in the amount of $128,488 to fund the services of Department of Telecommunications and Information Services and Department of Public Works.

14. Discussion and possible action related to adopting a Records Retention and Destruction Schedule.

Ms. Jung explained every Department in the City was required under the City's Administrative Code to adopt a Records Retention and Destruction Schedule. Commissioner Brooks asked what format the records were currently in. Ms. Jung replied that the formats varied, depending upon the document and the age of the document. Commissioner Brooks requested that the format be standardized. Ms. Jung agreed to forward his request to the appropriate staff.

President Normandy asked how this policy was different than past policies. Ms. Jung replied the differences were minor and that the major emphasis on this particular policy was combining all the different policies for every SFPUC division.

Public Comment:

Mr. Pilpel clarified the various codes the Record Retention and Destruction Schedule and Public Records Index fell under and recommended the Commission adopt the proposed schedule.

Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0067: Adopt a Records Retention and Destruction Schedule as mandated by the San Francisco Administrative Code Section 67.29.

LEASES AND PERMITS

15. Discussion and possible action related to a lease with Don Pearlman Joint Venture XI.

Moved by Commissioner Caen, seconded by Commissioner Brooks, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0068: Authorize the General Manager of Public Utilities to execute a lease with Don Pearlman Joint Venture XI, for approximately .57 acres of SFPUC land located on a portion of Parcel 144 of Bay Division Pipeline Nos. 3 and 4 right of way, Santa Clara, California, for parking and landscaping.

CONSTRUCTION CONTRACTS

Award

16. Discussion and possible action related to Contract No. WD-2349R.

Public Comment:

Ms. Maria Icenogle, Icenogle Construction Management, Inc., stated her small construction firm was the low bidder, but they were rejected on a technicality. She stated her firm had been rejected before based on requirements not on the original bid documents and felt her firm was being treated unfairly. Ms. Icenogle asked the Commissioners to postpone the award of Contract No. WD-2349R, to re-evaluate the staff recommendation, and recommend something fair.

President Normandy asked for a staff response to Ms. Icenogle's charge.

Ms. Wendy Iwata, Manager of Contracts Division, stated SFPUC staff had communicated with Ms. Icenogle's company and had also conferred with the City Attorney regarding this matter. She explained that Ms. Icenogle's firm was rejected the first time because the original specs were unclear and were redrafted for all bidders to resubmit. She stated there was a second rejection because the minimum qualifications were not met--a requirement of documentation of three similar projects done in the last five years. Ms. Iwata stated there were technical demands required.

Mr. Leonard Swanson, Program Manager, stated the project had very specific technical requirements for two large water storage tanks and the replacement of two large well pumps. Mr. Swanson explained in detail the project and technical work needed.

President Normandy asked if the technical requirements were adequately described to all the prospective bidders at the beginning. Mr. Swanson replied they were and a pre-bid meeting was also held with contractors to explain the original bid and re-bid. He explained there were many competent contractors who bid, but that staff reviewed the proposals and compared them to the technical requirements needed and chose a contractor they felt had the experience required to do the job.

President Normandy noted the previous public comment by Mr. Altaha regarding the need to cultivate minority and local businesses. *He requested for further investigation by the Commission and that the item be continued to the next meeting.* Ms. Martel agreed it was appropriate to investigate the charges and bring the item back at

the next meeting.

Commissioner Brooks asked if the contractor would be doing the technical work or overseeing it. Mr. Swanson replied the contractor would be overseeing the technical part and be responsible for maintaining the safety requirements of the project and coordinate with the Livermore utility people.

Commissioner Brooks asked if the project was basically scheduling, with an OSHA health and safety person who had been trained to work in confined spaces. Mr. Swanson replied the prime contractor would need to provide leadership to the subcontractors.

Commissioner Brooks asked if the contractor would be performing the actual work, and not just providing the scheduling and oversight. Mr. Swanson replied the contractor would be responsible for having the work completed.

Moved by President Normandy, seconded by Vice President Costello, to continue Item 16 to the next regular Commission meeting scheduled on May 11, 2004; passed (5-0) unanimously.

Staff Recommendation: Award Contract No. WD-2349R, Thomas Shaft Water Supply Improvements, in the amount of $1,198,785 to Proven Management.

PROFESSIONAL SERVICE CONTRACTS

Amend

17. Discussion and possible action related to Agreement No. CS-694.

Ms. Jean Mariani, Acting Assistant General Manager of Business Services, stated the item was a request for an extension of time only.

Commissioner Caen asked what was the nature of the unanticipated delays. Ms. Mariani responded the delays were due to a very thorough review of the draft assessment. She explained staff did not anticipate using the entire year being requested.

Commissioner Werbach stated he was interested in Task Order 2 and how it connected to renewable energy projects and risk assessment. Ms. Martel stated staff would be coming back to the Commission with more information on this.

Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0069: Approve Amendment No. 1 to Agreement No. CS-694, Enterprise Risk Management, with R. W. Beck, Inc. to extend the effective date from May 7, 2004 to April 30, 2005 to facilitate completing task orders, and authorize the General Manager of Public Utilities to execute this amendment accordingly.

18. Discussion and possible action related to Agreement No. CS-672 D.

Mr. Michael Carlin, Manager of Strategic & Systems Planning Department, stated the item only asked for a 10-month extension, with no additional funding.

Commissioner Werbach asked how the Recycled Water Plan fit into the Clean Water Master Plan and if this would commit the SFPUC to a path. Mr. Carlin stated it did not.

Ms. Martel stated she assigned the staff report about the status of the Recycled Water Program and its relationship to the Clean Water Master Plan to Mr. Carlin.

Public Comment:

Mr. John Plummer, Friends of Lake Merced, stated Commissioner Werbach already asked his question. He commented on how wonderful Cal Trout Day was at Lake Merced.

Moved by Commissioner Werbach, seconded by Vice President Costello, to adopt the following resolution; passed (5-0) unanimously.

Resolution No. 04-0070: Authorize the General Manager of Public Utilities to execute Amendment No. 2 to Agreement No. CS-672 D, the "Recycled Water Master Plan Update and Environmental Review" dated January 21, 2003, with ESA + Orion, a joint venture, to provide for a time extension of ten months from the date of Controller certification. The amount of the agreement would not increase and would remain at $733,000.

CLOSED SESSION

19. Public comments on matters to be discussed in Closed Session.

Mr. Pilpel commented on Item No. 25, stating the General Manager should be a person who understands the City, understands the SFPUC (or a complex utility/organization), and had the skills to build a quality team.

President Normandy responded the Commission had taken his points

into account and was currently working with the Mayor's Office to find a new General Manager.

20. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

Moved by Commissioner Werbach, seconded by Vice President Costello, to assert the attorney-client privilege; passed (5-0) unanimously.

President Normandy called for a break at 4:06 P.M.

The Public Utilities Commission met in Closed Session at 4:24 P.M. to discuss the following matters:

21. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and SFPUC Real Estate Services Manager Garrett Dowd.

Property: City of South San Francisco, at the corner of El Camino Real and Chestnut Ave., approximately 8+ acres.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

22. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and SFPUC Real Estate Services Manager Garrett Dowd.

Property: City of Fremont, between Canyon Heights Rd. and Deer Rd. near Niles Canyon, approximately 7.5 acres.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

23. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and SFPUC Real Estate Services Manager Garrett Dowd.

Property: City of Mt. View, running between Whisman Rd.,

approximately 7 acres adjacent to pipeline r/w.
Parties Negotiating: Dowd/Lymburn
Under Negotiation: Terms and conditions

No action was taken.

24. Conference with Real Property Negotiator - Pursuant to Government Code Section 54956.8: (Milstein)

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung, and SFPUC Real Estate Services Manager Garrett Dowd.

Property: Balboa Reservoir property and Ocean and Phelan

MOU between SFPUC and San Francisco City College
Parties Negotiating: Dowd
San Francisco City College
Under Negotiation: Terms and Conditions

No action was taken.

25. Public Employee Appointment/Hiring – Pursuant to Government Code Section 54957 and San Francisco Administrative Code Section 67.10(b):

Present were President Normandy, Vice President Costello, Commissioner Caen, Commissioner Werbach, Commissioner Brooks, SFPUC General Manager Patricia E. Martel, SFPUC Legal Counsel Vicki Clayton, Commission Secretary Mary Y. Jung.

Position: General Manager, Public Utilities

No action was taken.

Commissioner Werbach was excused at 4:52 P.M.

Following the Closed Session, the Commission reconvened in open session at 4:52 P.M.

26. Announcement following Closed Session.

President Normandy announced the actions taken during Closed Session.

27. Motion regarding whether to disclose the discussions during Closed Session.

Moved by Vice President Costello, seconded by Commissioner Brooks, not to disclose the discussions during Closed Session; passed (4-0) unanimously.

There being no further business to discuss, the meeting was adjourned at 4:53 P.M.

Mary Y. Jung
Secretary

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Commission

For Questions about this item, please contact us.

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